Nissay Asset Management Corporation

NISSAY
ASSET MANAGEMENT

Stewardship Report

2021

We build long trusting relationships with customers by providing the highest added value and ensuring customer satisfaction.

Contents

Business Principles

1. Dedicate ourselves to customer satisfaction

- We provide the high-quality investment products and services necessary to realize customers' future plans and ambitions, and work unremittingly to ensure customer satisfaction over the long term.
- We believe that to ensure sound asset formation for customers, investment decisions must be backed by accurate knowledge and understanding. Committed to this belief, we act as customers' "best partner" to help them with their investments.

2. Pursue professionalism

- All our officers and employees feel a sense of responsibility and pride in managing customers' assets, and work tirelessly as professionals in their respective fields.

3. Foster a fair and honest corporate culture

- We strive to maintain a fair and honest corporate culture in view of the societal mission fulfilled by asset management services.
- We comply with laws and regulations as a global corporate citizen, and all our officers and employees strive to contribute to society, bearing their mission and responsibility in mind.
- We are resolutely opposed to all antisocial organizations that threaten the order or security of civil society, including organized crime groups or corporate extortionists.

Investment Philosophy

We will maintain a consistent decision making process within the organization and invest responsibly as a major investment firm.

Active investment management

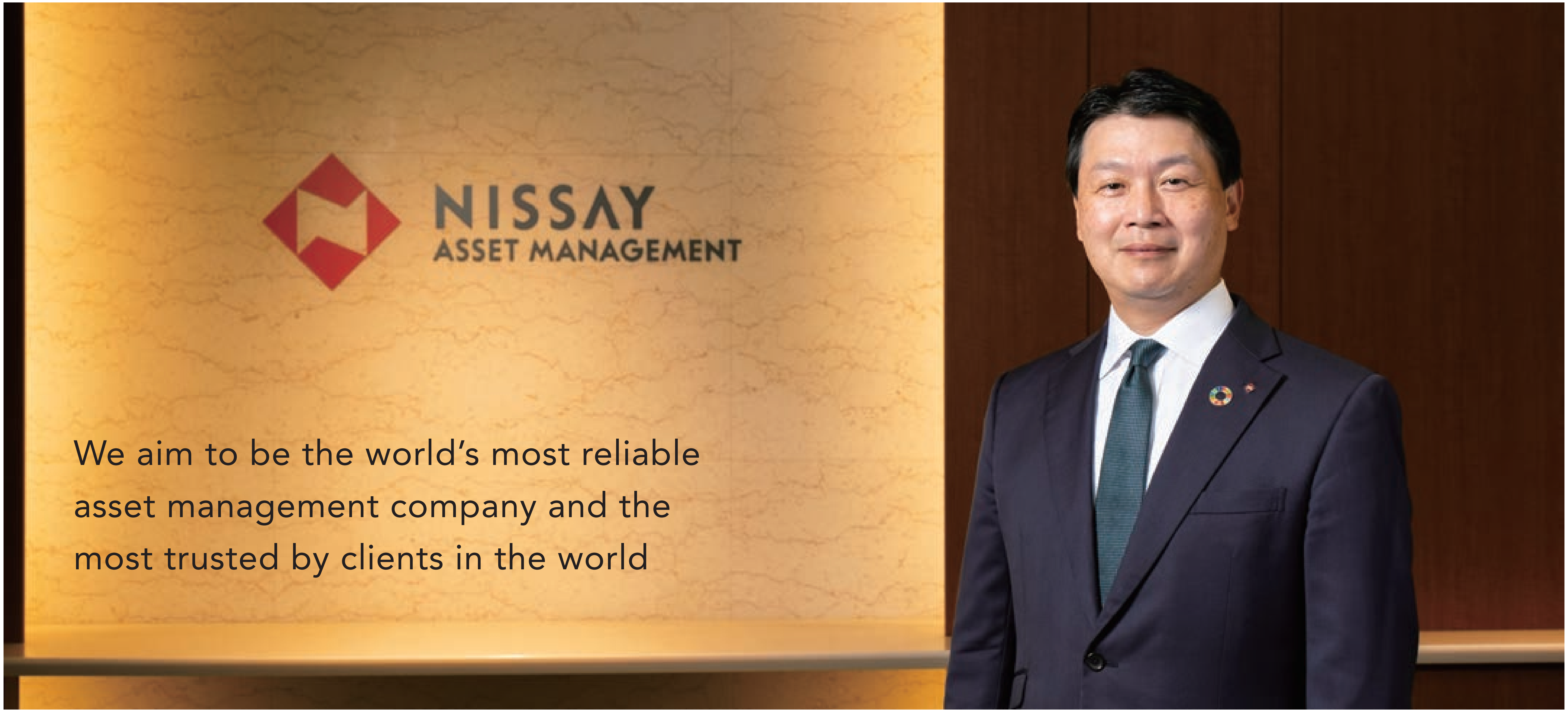
By looking for market inefficiencies, we will determine the gap between the optimal price and the current market price of the asset, and produce excess return.

Intensive research

We look for investment opportunities through intensive research, analysis, and insight.

Disciplined Investment

With a continuous and consistent investment approach and extensive risk management, we aim to steadily reach our investment goal.



We aim to be the world's most reliable asset management company and the most trusted by clients in the world

The global environment is rapidly changing. Without exception, various companies are finding it essential to engage in digital transformation (DX). There is a heightened sense of urgency about the serious impacts of climate change as evidenced by heat waves and frequent storm and flood damage, while the spread of the COVID-19 pandemic has decisively driven stronger and faster global change.

We have adopted a new corporate slogan, "A Good Investment for the Future," based on our belief that it is important in these times for each and every officer and employee of Nissay Asset Management (NAM) to firmly look towards the future and to be able to take initiatives for value creation through new challenges. The word "Good" symbolizes investments that are valuable not only for the investment performance of our clients, but also for the environment, society, and our employees, while "Future" incorporates the future of clients, the future of our planet, and the future of NAM itself. This slogan highlights our commitment to fully recognize our responsibilities for the future and fulfill our role in the achievement of a sustainable society.

In our Medium-Term Management Plan starting this fiscal year, we recognize not only strengthening ESG investments, but also promoting our own Company's sustainable management as an ESG front-runner to contribute to a sustainable society, as pillars of the plan. This recognition is based on our management vision to be a company that continuously contributes to the medium- and long-term asset formation of our clients by providing the highest quality in asset management services through value creation of each and every one of our officers and employees taking on new challenges. To this end, we have established a Sustainability Committee, with me as the chair, and we plan to report on our activities in future.

Utilizing our extensive experience and knowledge as a pioneer of ESG investment, we will steadfastly fulfill our fiduciary responsibilities to pension funds and their members as well as investment trust beneficiaries. Through such constant initiatives, NAM aims to be the world's most reliable asset management company and the most trusted in the world by each of our clients.

Hiroshi Ozeki
President and Chief Executive Officer
Nissay Asset Management Corporation

History of commitment to ESG

Nissay Asset Management Corporation (hereinafter, "NAM") has been engaged in ESG related activities for more than a decade, fulfilling our social mission as a responsible investor to enhance corporate value, create a sustainable society, and develop a healthy capital market. Since becoming a signatory to the United Nations Principles for Responsible Investments (PRI) in 2006, we have integrated ESG evaluation into domestic and foreign equities and bonds and clarified the focus of our long-term investment. We have also actively promoted dialogue with investee companies, including proxy voting and have continuously engaged in improving quality since accepting Japan's Stewardship Code in May 2014.

Relationship with external bodies

Signatory of: PRI Principles for Responsible Investment

- **2006** ● Signatory to the PRI
- **2007** ● Joined ICGN
- **2015** ● Chief Corporate Governance Officer (CCGO) Iguchi appointed to the Board of Governors of the ICGN
- **2019**
  - ● January: Signatory to the TCFD
  - ● March: CCGO Iguchi appointed to the IFRS Advisory Council member
  - ● May: Joined SASB's Investor Advisory Group (IAG)
  - ● September: Acknowledged as Lead sponsor in PRI in Person (Cancelled due to COVID-19)
- **2020**
  - ● August: Awarded highest ranking "A+" in the PRI annual assessment for "Strategy and Governance" for six consecutive years
- **2021**
  - ● March: Participated in Net Zero Asset Managers Initiative
  - ● May: Acknowledged as Lead sponsor in PRI Digital Conference

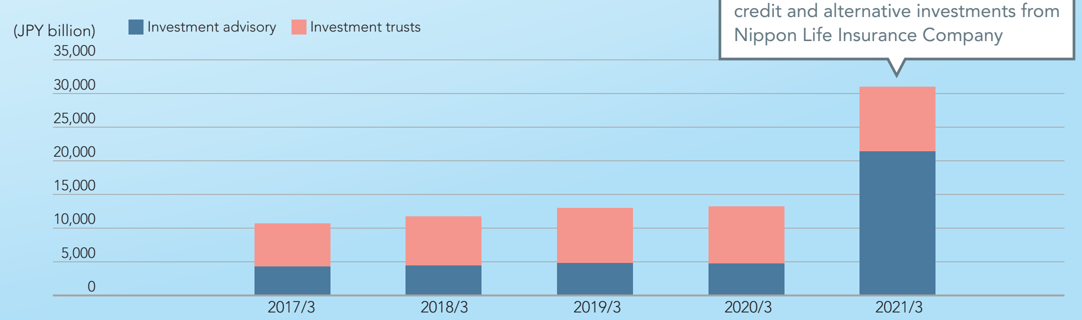
Investment side initiatives

- **1999** ● Established proxy voting guidelines
- **2002** ● Established Corporate Governance Committee (now, Responsible Investment Committee)
- **2004** ● Integration of mid- and long-term forecasts (5-year) in the investment decision-making process
- **2008** ● **Integration of ESG evaluation into the domestic equity investment process**
- **2014** ● Acceptance of Japan's Stewardship Code
- **2016** ● Established ESG Investment Promotion Office
- **2017**
  - ● Established Supervisory Committee on Responsible Investment
  - ● Integration of ESG evaluation in the global equity investment process
- **2018** ● Steadily established ESG and SDGs related investment trusts
- **2019** ● Disclosed ESG investment approach by asset class
- **2020** ● Extended our stewardship responsibilities to domestic fixed income investment
- **2021**
  - ● March: Reorganized the ESG Investment Promotion Office into the ESG Investment Promotion Department to enhance ESG investments, etc.
  - ● May: Established the Sustainability Committee

FY2020 highlights

14 years	24	94	Approx. 90%	687
Average number of years of experience of investment managers	Number of full-time analysts	Number of full-time portfolio managers	Coverage ratio for market capitalization of companies subject to ESG evaluation	Individual dialogue with senior management

Assets under management



* Various figures are as of March 31, 2021
* Other than assets under management, the data is prior to the transfer of investment functions for credit and alternative investments from Nippon Life Insurance Company

Global trends

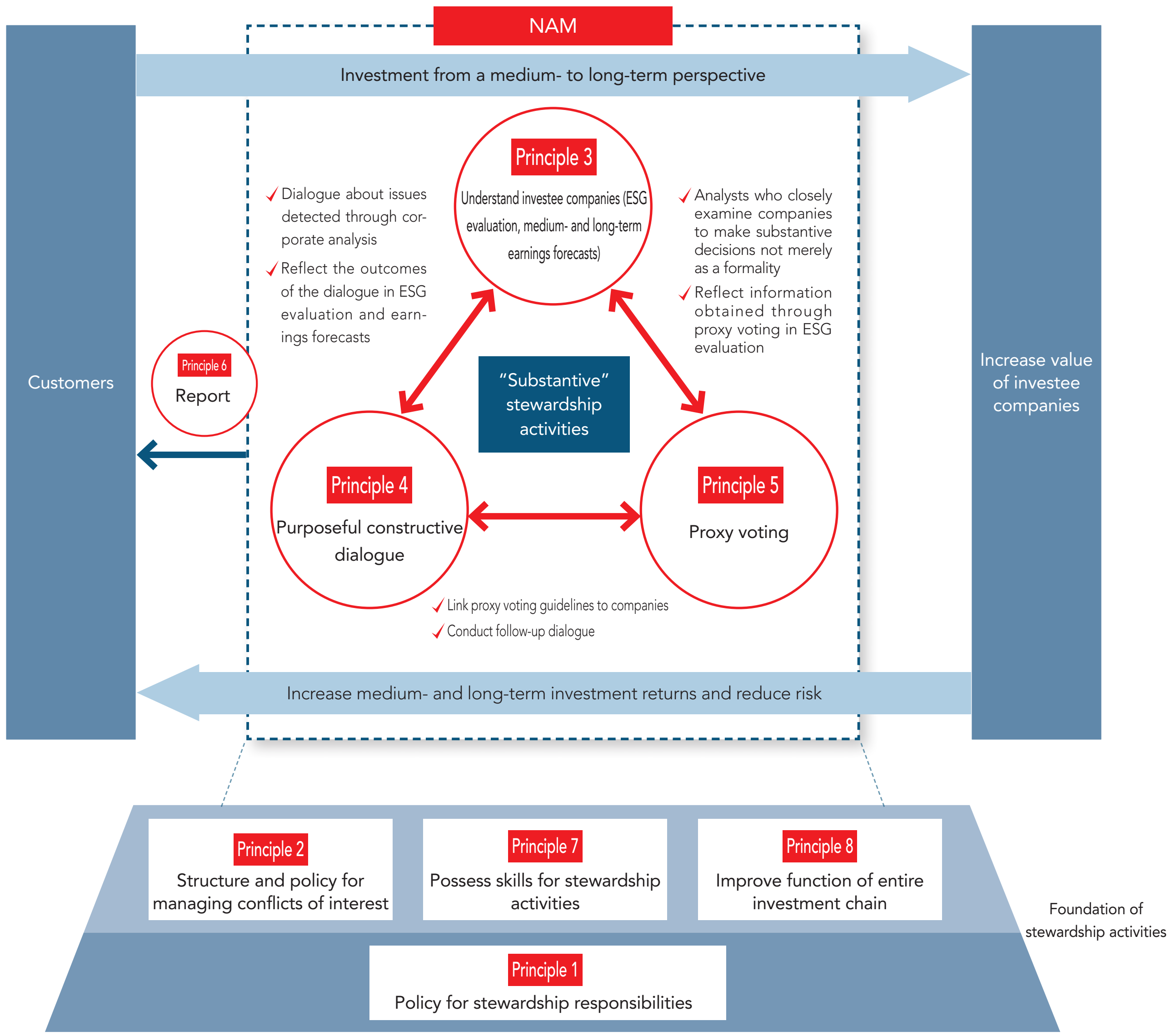
- **2006** Principles for Responsible Investment (PRI) formulated by the United Nations
- **2014** Japan's Stewardship Code announced
- **2015**
  - Corporate Governance Code announced
  - GPIF becomes signatory to PRI
  - Sustainable Development Goals (SDGs) adopted
  - The Paris Agreement adopted
- **2017**
  - Japan's Stewardship Code revised
  - TCFD recommendations
- **2018**
  - Corporate Governance Code revised
  - SASB Standards formulated and announced
- **2019** US Business Roundtable revises its corporate governance principles away from "shareholder primacy" to "stakeholder capitalism (employees, local community, etc.)"
- **2020**
  - Japan's Stewardship Code revised
  - The Prime Minister Suga pledges net zero emissions of greenhouse gases by 2050 in his first policy address to the Diet
- **2021** Corporate Governance Code revised

Overall image of activities and structure

We aim for co-creation with customers and investee companies in our research and investment activities

NAM considers our research and investment activities, which aim to enhance the medium- and long-term investment returns and reduce risk for customers, as integral to our investment process. We strive to fulfill co-creation with customers and investee companies by fulfilling our stewardship responsibilities through important aspects of the process for "understanding investee companies," "purposeful constructive dialogue (engagement)," and "proxy voting," which lead to increased value of investee companies.

Overall image of stewardship activities

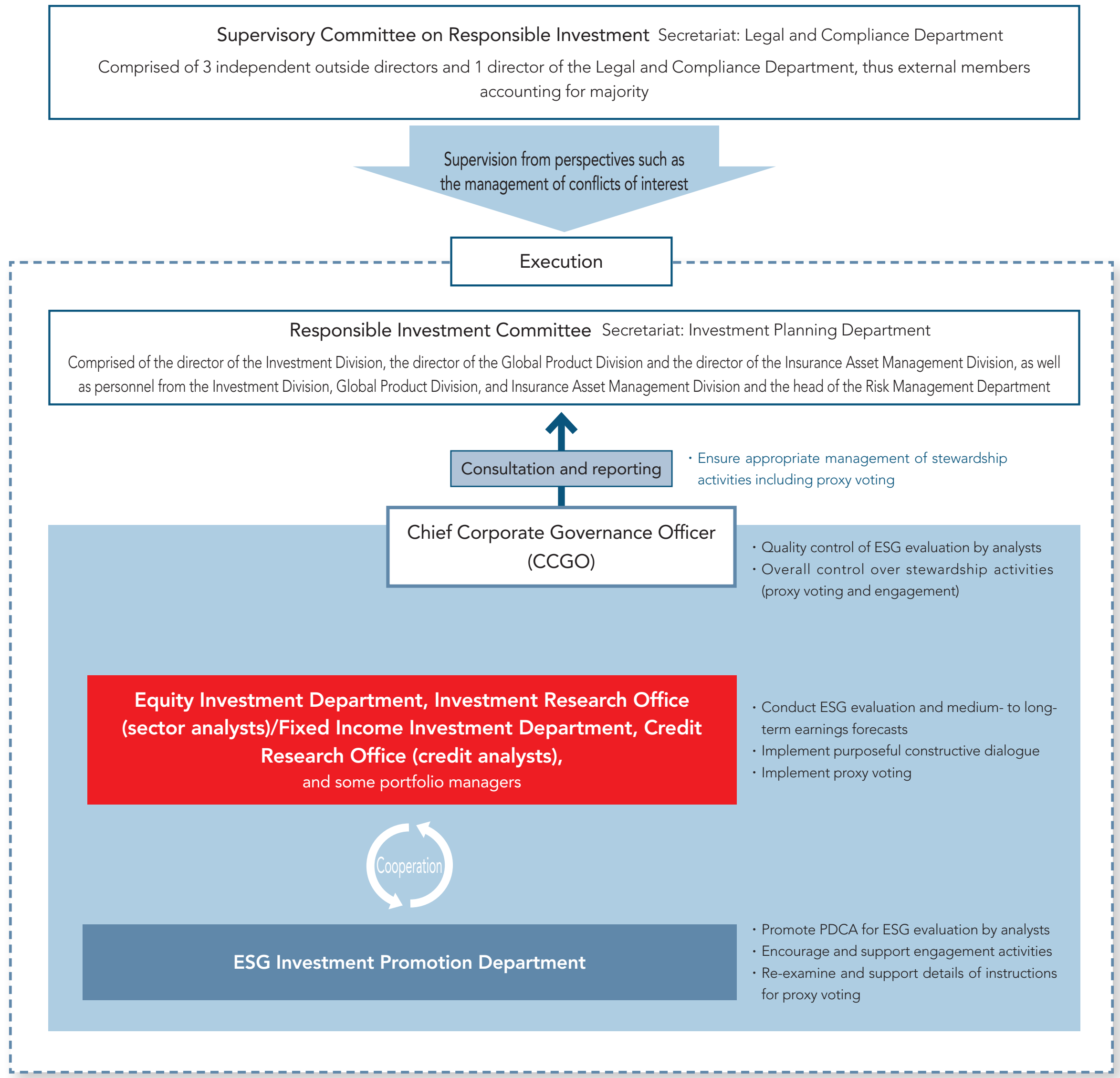


Stewardship structure

In order to supervise stewardship activities from perspectives such as the management of conflicts of interest, NAM has established the Supervisory Committee on Responsible Investment, comprised of a majority of independent outside directors. We also have established the Responsible Investment Committee, chaired by the director of the Investment Division, which discusses NAM's ESG investments and stewardship activities across assets. Based on such structure, approximately 20 domestic equities sector analysts consistently implement each activity of "appropriate understanding of companies," "constructive dialogue," and "proxy voting" stipulated in Japan's Stewardship Code for each investee company. (For some companies, credit analysts for domestic corporate bonds are responsible for all aspects apart from proxy voting). It is based on the idea that by having the analyst who is the most knowledgeable about a company being responsible for the series of activities, synergies are generated in each activity, and our stewardship activities are conducted as substantive activities contributing to the improvement of corporate value, instead of as formalities.

NAM is also upgrading the ESG evaluation undertaken by analysts and promoting quality control and PDCA with the ESG Investment Promotion Department at the core under our Chief Corporate Governance Officer, an expert on ESG and proxy voting. The structure of the ESG Investment Promotion Department is to progress activities with experts appointed to the roles of department head and team members, while coordinating with relevant divisions through concurrent appointments of personnel from departments including the Equity Investment Department, Fixed Income Investment Department, and External Fund Investment Department.

Stewardship activities organizational chart



Special feature

Conversation between the Supervisory Committee on Responsible Investment and the Chief Corporate Governance Officer

Aiming for effective stewardship activities

George Iguchi, Executive Officer and Chief Corporate Governance Officer talks about ESG and stewardship activities with three independent outside directors who are members of the Supervisory Committee on Responsible Investment

Iguchi Thank you for joining me here today. I have been in charge of analyst research since 2005 and have been striving to enhance NAM's ESG and stewardship activities for more than 15 years. While I am aware that customers and external parties appreciate these types of initiatives, I believe this is also due to the everyday discussion by the Supervisory Committee on Responsible Investment (hereinafter, "Committee") and would like to express my appreciation. I hope you will share your wide-ranging opinions during this conversation as well.

NAM's initiatives for ESG and stewardship activities from Independent Outside Directors' perspective

Iguchi A feature of NAM's Committee (compared to other companies) is that its majority comprises independent outside directors. I believe this not only means the possibility of more effective supervision, but could also lead to appropriate reflection of the importance of ESG and stewardship activities in discussions at the Board of Directors.

My first question relates to NAM's new Medium-Term Management Plan (hereinafter, the "Plan") that commenced from FY2021. ESG initiatives such as enhancing ESG investments and the promotion of sustainable management have been raised as major pillars in the Plan. Would you each individually share your opinion on the direction of this Plan. Starting with Director Hama please.

Hama Thank you. The Committee receives reports on ESG and stewardship activities and also engages in considerable discussion, so we are fully-aware that these activities are NAM's strengths. That is why I agree with the direction of the Plan with its focus on ESG investments. In addition, the Plan also positions the promotion of sustainable management as a pillar, and while we are consolidating our position as the front-runner for ESG investments it is important to strengthen initiatives including diversity for NAM itself, so I also approve this direction.

Furthermore, from a director's viewpoint, I believe asset management is likely to become a major trend in finance business, so I hope that NAM, as an integral company for asset management within the Nippon Life Group, will implement initiatives with an awareness that it is setting an example for the Group. In addition, although it has nothing to do with ESG, I would encourage discussion about matters such as the clarification of NAM's position within the Nippon Life Group.

Kuronuma The Plan indicates a scenario for NAM's sustainable growth and I believe that positioning the investment of management resources into ESG investments, which can be called our strength, as one of the pillars is very commendable. NAM is also much more advanced in ESG investment than other companies, so I believe we can also say that enhancing ESG investments contributes to an efficient allocation of social resources and to the realization of a sustainable society.

One point I would like to clarify is that the Committee's main purpose is to supervise stewardship activities and we do not directly supervise ESG investments. However, NAM's stewardship activities are very much integrated with ESG investments, so I would like to add that initiatives for ESG investments are also included in the supervision mechanism through our discussions about stewardship activities.

Iguchi Thank you. It is important to note that stewardship activities and ESG investments are firmly integrated at NAM, as Mr. Kuronuma has just pointed out, and consequently it enables supervision by the Committee. So, now, Director Fuse, I would like to ask for your opinion.

Fuse Thank you. I share the opinions of the others in regard to the ESG-focused direction of the Plan, so I approve. In addition, during discussions at the Board of Directors, there are also explanations of matters such as mapping ESG products. However, given the recent increase in harsh debate about ESG products that do not reflect actual conditions, NAM's clarification of the purpose of ESG investments is likely to lead to future dominance.

On another point, while this may not be related to ESG, looking at NAM's brand recognition level, I believe there is scope to enjoy a higher evaluation from retail investors. While management independence is obviously important, I also believe a forthcoming issue will be a brand strategy that capitalizes on the Nippon Life Insurance's brand.

NAM's risks, threats, and weaknesses from an Independent Outside Director's perspective

Iguchi Thank you for your messages of strong support. Next, I would like to ask about the risks, threats and weaknesses that are the flipside of strengths in any organization. How do you see NAM in this regard? I would first like to hear from Director Fuse.

Fuse As independent outside directors, we are given the opportunity to see the state of the entire company, and I believe that NAM's strength is its human resources. The pursuit of professionalism, as is also outlined in the corporate philosophy, and the persistent talk of fostering a fair and honest corporate culture, and the cultivation of numerous human resources are strengths. However, human resources can also be considered a risk. How to continue cultivating and training talented human resources in each area as an organization and how to create such a structure are important issues for NAM's future growth.

Hama From a quality perspective, I consider NAM to be top class amongst Japanese asset management companies. However, while human resources are a strength, I also agree that they could also become a risk. From the perspective of maintaining competitive strength, firm action is required in relation to the recruitment, training, and retention of talented human resources.

Iguchi Thank you. It is often said that people are assets for asset management companies. In addition to being fast moving, the area of stewardship activities also requires face to face interaction with the managers of companies, so as you have pointed out, the strength of human resources is even more important. I believe that creative people are required.

The current state and outlook for the Supervisory Committee on Responsible Investment

Iguchi I would like to focus the discussion on the activities of the Committee. May I ask your opinions on the current operations of the Committee, memorable incidents, and the direction of stewardship activities? Director Hama, would you please comment.

Hama I am satisfied with the operation of the Committee, since it utilizes a scheme to manage conflicts of interest, narrows down agenda items for proxy voting that should be discussed, and receives explanations in advance to enable effective supervision at the Committee.

I would like to mention three memorable incidents. First, a question raised by Committee members at an informal meeting for exchange of opinions held in November last year prompted serious consideration on the execution side, which led to proxy voting guidelines being revised in February this year. I felt that discussion at the Committee has been used constructively. Second, we also receive reports on dialogue with companies, and have been able to confirm examples of improvement in corporate disclosure and composition of the Board of Directors as a result of such dialogue. Last, the response to last year's general meeting of shareholders was very difficult due to the spread of COVID-19, but measures were quickly introduced such as digitalization of the proxy voting process, and voting operations ended faster than usual. I think this was a wonderful response.

Iguchi The memorable incident you referred to concerning the revision to the proxy voting guidelines to reflect discussion with Committee members highlights the effectiveness of discussion at the Committee. Thank you for pointing this out. Now, I would like to ask the same question of Director Fuse.

Fuse I also receive careful explanations at the Committee, which makes it very easy to discuss. In addition, I feel that the provision of the latest information on matters such as in the governance area are meaningful for understanding the entire picture.

In terms of memorable incidents, as with the comment from Director Hama, I would particularly like to note that the outcomes from stewardship activities were confirmed in the report to the Committee and that the "Stewardship Activity Policy During COVID-19 Pandemic" was announced and implemented in April last year, ahead of other companies. I think a prompt response was possible because NAM had a clear approach in relation to ESG and stewardship activities.

In terms of the future direction, I feel there is an issue about how to reflect diversity into stewardship activities. At the same time, as a director of NAM, I think there will also be a future issue of reflecting on ourselves and thinking about how we can reflect diversity at NAM itself.

Kuronuma I agree with everyone and I am satisfied with the operations, so I would like to comment on the future direction. I understand that the main stream view of ESG investments had been the reference to investments in companies forecasting continuous profit growth from an ESG perspective. However, in recent years, I feel that ESG investments have, in addition to this, had a strong sense of being aimed at solving ESG issues that society faces as well as achieving a sustainable society. For example, environmental problems are no longer simply issues for particular companies, but issues for society as a whole. The same applies to the issue of diversity.

NAM perceived this type of change in the trend and revised the "Acceptance of Japan's Stewardship Code" in May this year, rephrasing the objective of ESG investments as being to achieve improvement in medium- and long-term returns as well as contributing to the realization of a sustainable society. I think this direction is correct.

Next, in terms of the future direction, there are growing expectations for proxy voting, and it will be imperative to upgrade the voting guidelines. In this sense, as was also discussed as the Committee in February, there is also the idea that it might be best to preempt the Corporate Governance Code for setting guidelines. In addition, the stewardship activities of asset management companies generally tend to be biased towards governance, but I believe we might also need to incorporate environmental and social elements further into dialogue with companies and into proxy voting guidelines.

Iguchi Thank you. I also discussed this at the Committee, but I am always concerned about what level to set for the proxy voting guidelines. Considering the fact that it is necessary to link proxy voting to dialogue with companies and that the voting guidelines are applied to all listed companies, I believe that using the Corporate Governance Code as one target would be fine for setting the guidelines. While I think that how to incorporate issues such as diversity into proxy voting guidelines is also an issue, the execution side will consider the opinions you have provided. I hope to able to discuss these issues at the informal meeting for exchange of opinions to be held in November.

How to stay ahead as the ESG front-runner

Iguchi Moving on to my final discussion point. Would you please once again provide your views on what you think is necessary for NAM to stay ahead as the ESG front-runner. I ask Director Kuronuma to respond first.

Kuronuma I earlier said there needs to be further incorporation of environmental and social elements into stewardship activities. However, to maintain our position as the front-runner, I think in addition to this that constant consideration needs to be given to the relationship with investment performance from a fiduciary responsibility perspective. In addition, as mentioned by Directors Hama and Fuse, promotion of NAM's sustainable management is also important, and I have hopes for the newly established Sustainability Committee.

Fuse I have commented on a number of matters today and I think that all are necessary to be the front-runner. To add to this, although this possibly goes beyond stewardship activities, I would like NAM to take the initiative in activities to improve the market environment itself by actively influencing relevant laws and market rules given NAM's role in being responsible for the medium- and long-term asset formation of citizens.

Hama To continue activities as the front-runner requires the ability to see what is at the essence, such as by focusing on the effectiveness of governance and not just looking at the appearance of the institutional design in the governance of investee companies. I believe this is also the role of NAM in our efforts as an active manager.

In addition, as I noted earlier, I would like NAM to take initiatives with an awareness that it is setting an example for the Nippon Life Group.

Iguchi Thank you for your numerous suggestions and valuable opinions. I like the term "journey" that is often used overseas to signify endless evolution.

My discussion with you all makes me once again realize that to stay ahead as the ESG front-runner, we must not be afraid of change but continue to move forward step by step while maintaining the principles as an investor. I hope to have constructive discussion at the Committee in future. Thank you for sharing your thoughts today.

(Conducted on June 1, 2021, recorded by George Iguchi)

ESG evaluation and corporate evaluation

Establishing proprietary know-how for reflecting ESG analysis in corporate value evaluation

ESG evaluation to understand the ESG factors that affect corporate value and identify sustainability

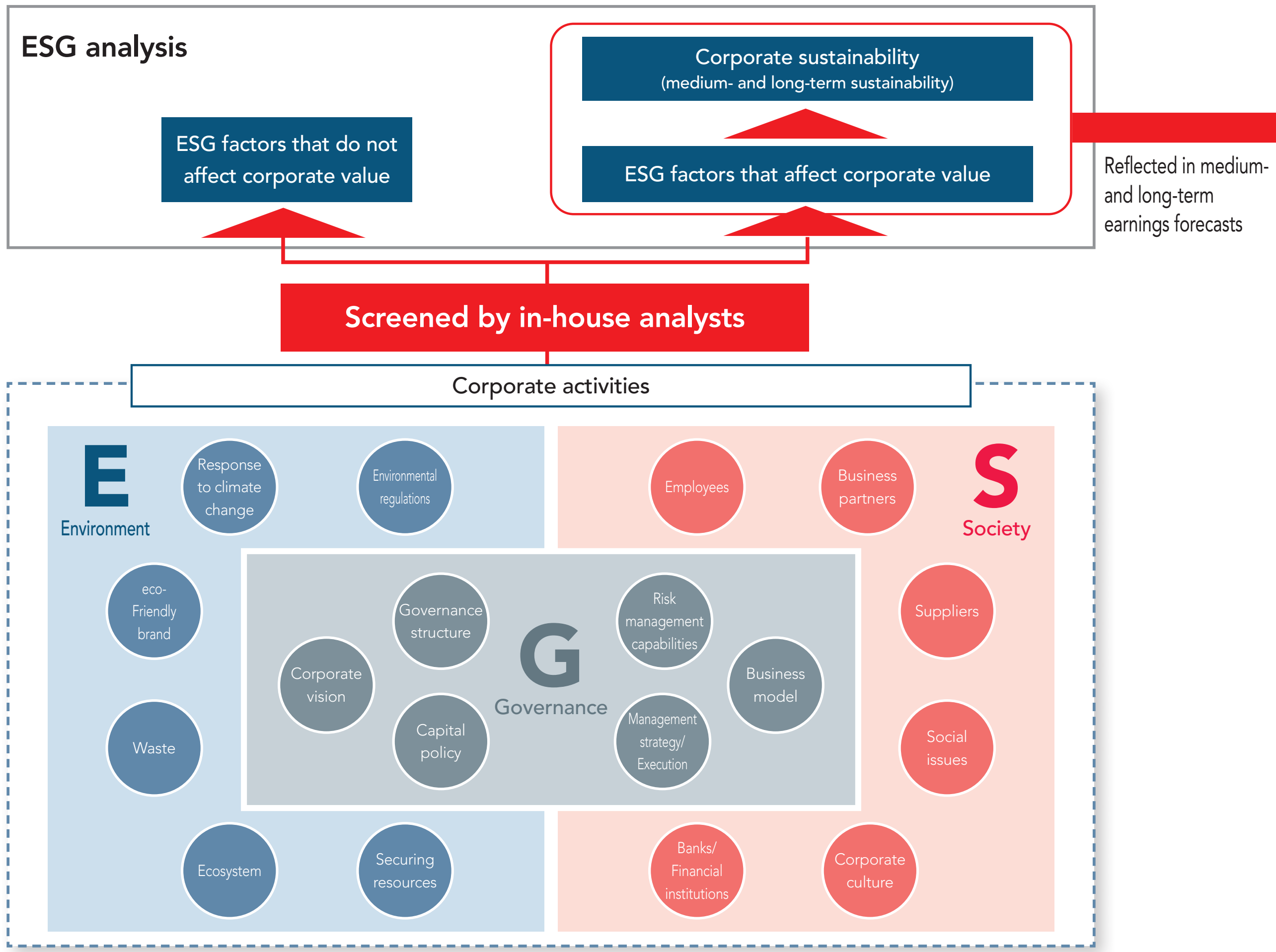
NAM believes ESG relates to all corporate activities. Therefore, we analyze the relationship between a company and each ESG factor (= ESG analysis) and confirm the corporate sustainability (medium- and long-term sustainability) from the ESG factors that affect corporate value.

Then we increase the accuracy and confidence in the earnings forecasts by using the ESG analysis in medium- and long-term earnings forecasts (a minimum of five years), and calculate the fair value of stock, which forms the basis for our investment decisions.

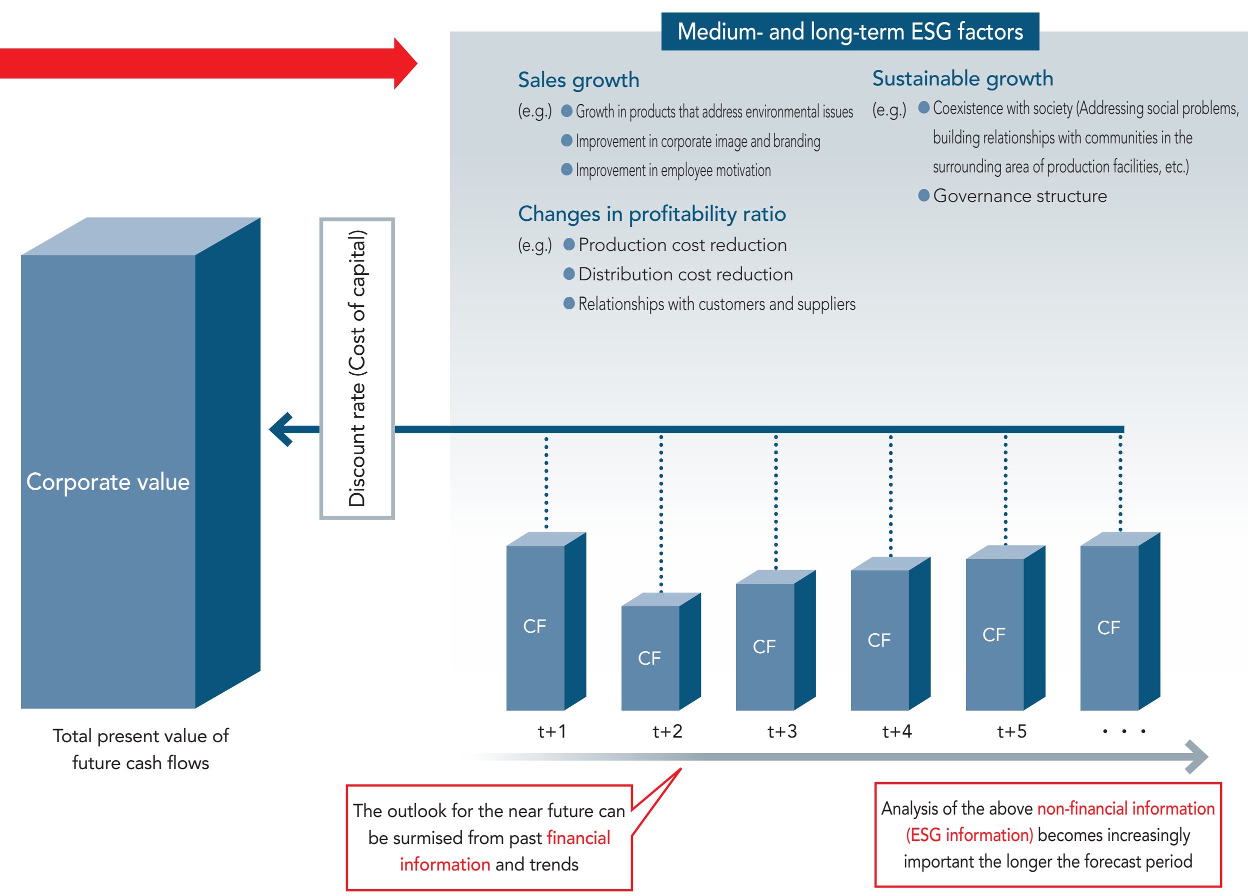
ESG evaluation evaluates the impact of the results of ESG assessment on the medium- and long-term corporate value for each of NAM's proprietary evaluation items by a three-level rating scale of "positive", "neutral", and "negative" in principle, and assigns an ESG rating* accordingly. The analysts are always monitoring the information for their assigned companies, while collecting information and having dialogue with investee companies, and reflecting the results in the ESG evaluation when appropriate. NAM does not use any external evaluation institutions for ESG analysis and ESG evaluation, and all such evaluations are conducted by NAM's in-house analysts independently.

*ESG rating, in principle, is given a three-level rating scale of 1-3 ("1" for high evaluation and "3" for low evaluation). However, a rating of "4" may be assigned to companies where incorporation of ESG would damage corporate value, yet there are reasons for retaining such companies within the investment universe such as large market capitalization.

Corporate activities and ESG evaluation



Reflecting ESG analysis in medium- and long-term earnings forecasts

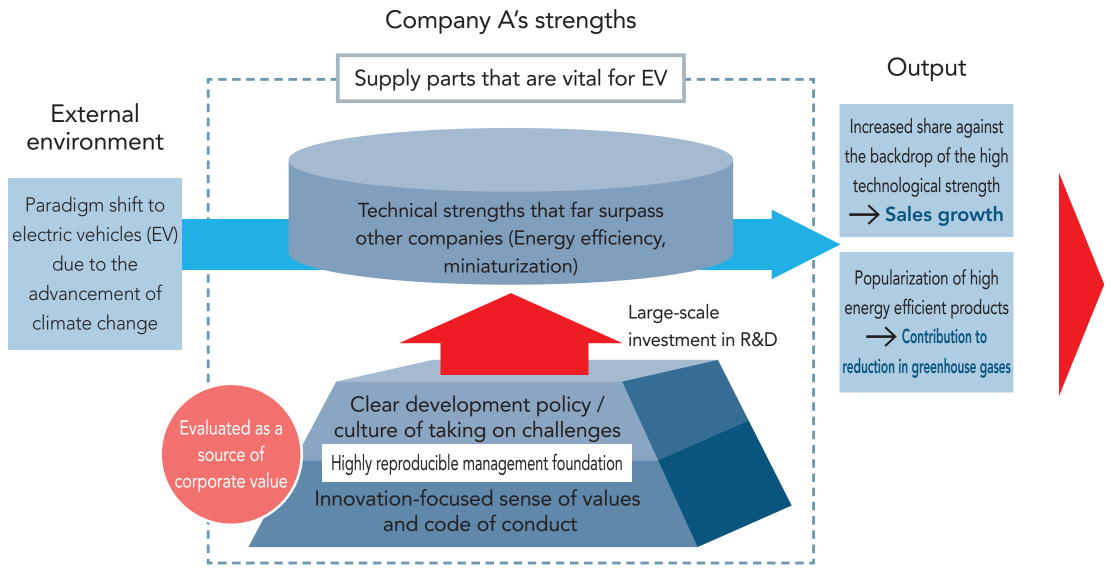


Examples of ESG analysis

NAM has incorporated ESG elements into its investment process since 2008 and has built up know-how of ESG analysis for more than a decade. NAM sector analysts understand ESG related data, and understand the essence of companies mainly through the collection of information on and dialogue with companies, and monitor the medium- and long-term sustainability and the corporate image. This process is imperative for calculating a company's fair value and for making investment decision, so ESG analysis is the foundation of our research. Here, we provide a number of examples of how NAM sector analysts actually analyze ESG initiatives by companies.

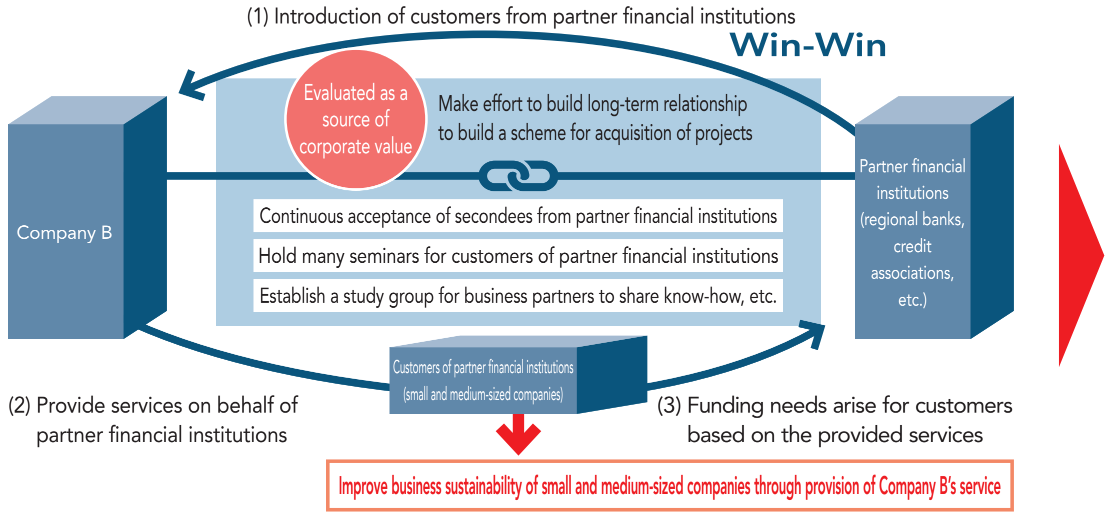
E Example of environmental analysis Company A

Company A, an automotive parts manufacturer, has promoted sales to customers beyond those with which it has traditionally had a close relationship due to its technical strengths that are far surpass other companies. While accumulating information about the company, it was discovered that such high technical strength is underpinned by a highly reproducible management foundation. In particular, the large-scale investment in R&D undertaken by this company can be attributed to clear development guidelines from senior management and its culture of taking on challenges that is spread across the entire organization. The basis of such management foundation is its innovative-focused sense of values, which has been highly valued since the company's founding. The company's code of conduct that is based on this sense of values has increased the reproducibility of management and been the source of sustainable growth. The company is expected to be able to develop products with high social significance and have a positive impact on the world, while sustainably acquiring opportunities for profit even when there is a major structural change toward decarbonization taking place in the world, thus such points are reflected in the evaluation of corporate value.



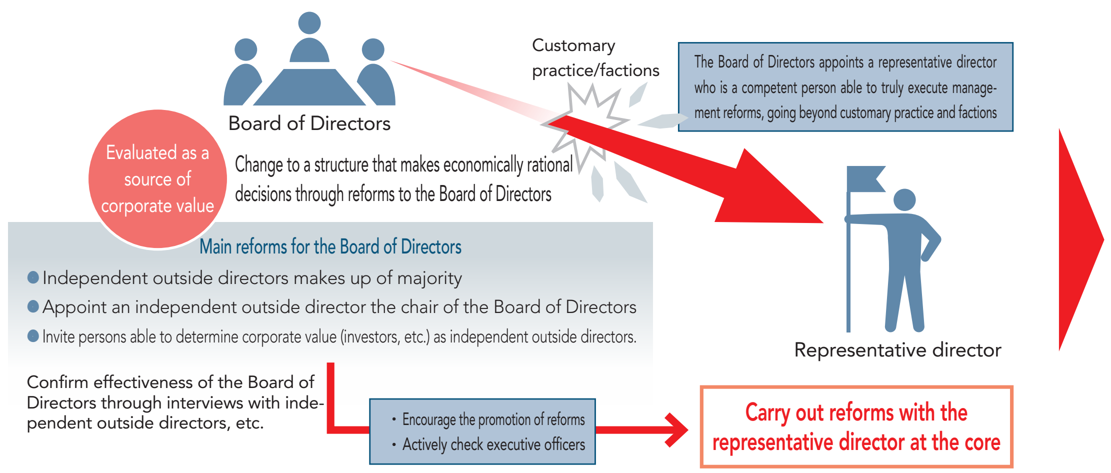
S Example of social analysis Company B

There has been continuous dialogue with the representative director of Company B, which provided consulting services to small and medium-sized companies nationwide. In that process, it became clear that the company was taking an approach and strategy enabling it to build a win-win relationship with stakeholders. The company's business targets small and medium-sized companies nationwide, but increasing potential customers is not easy. So, first the company proposes the idea to financial institutions such as regional banks and credit associations that its services would have merit for the small and medium-sized companies that are customers of such financial institutions. The company consequently enters into business alliance agreements under which financial institutions introduce their customers to the company and it acquires a customer base. Since there is a merit for the financial institutions in being able to finance the funding needs of small and medium-sized companies receiving the company's service, a win-win relationship for all three parties (i.e., the company, financial institutions, and their customers) is created. Apart from this, a number of initiatives to strengthen relationships have been implemented such as the company's acceptance of secondees from the financial institutions. Building relationships with long-standing stakeholders has gradually increased the opportunities to acquire projects from financial institutions nationwide and the company is evaluated as having highly sustainable growth.



G Example of governance analysis Company C

Company C's transformation is a good example of increasing corporate value through reforms of the Board of Directors' composition and supervision structure. The company is an information technology service company that covered multiple business divisions and provided wide ranging products and services. In the past, the Board of Directors was operated mainly by internal directors selected from each business division and the election of representative director also took account of factions and customary practice, so restructuring tended to be overlooked even in the case of loss-making businesses. However, in recent years, independent outside directors have become the majority of directors, with an independent outside director also appointed the chair of the Board of Directors, so the structure has been enhanced to one that enables objective supervision of management. The management structure is now completely different, as even when selecting a new representative director, there is appointment of a competent person able to truly execute management reforms, going beyond factions and customary practice. Steady progress has been made in transformation of the company since this structure was introduced and the idea that there will be sustainable growth and that management will be able to increase corporate value is reflected in the evaluation of corporate value.



Reflect in medium- and long-term earnings forecasts and the evaluation of corporate value

Fixed income and ESG integration

Limit downside risks through ESG integration

Unlike equities, features of fixed income are the limited upside as well as the finite investment period. Consequently, NAM incorporates the ESG analysis in the evaluation of the creditworthiness of the issuer, mainly to limit downside risks.

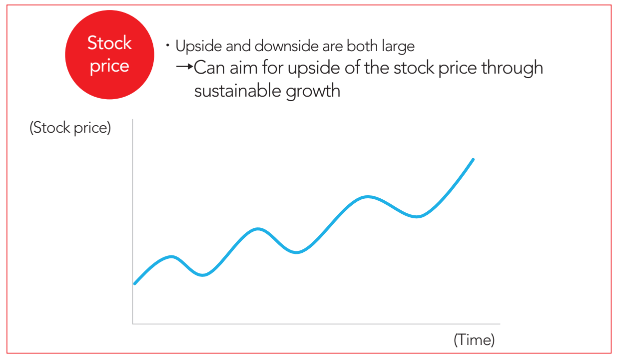
Specifically, we utilize methods to analyze the relationship between ESG issues and corporate value as implemented in equity investment, and combine ESG with existing financial analysis and business analysis to improve the accuracy of the analysis of cash flow that is the source of repayments and financial soundness, and to identify credit risks.

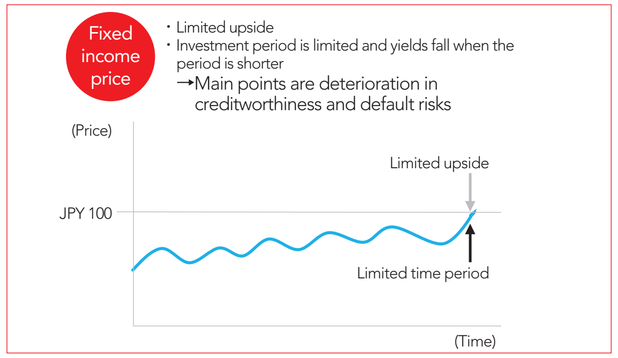
NAM analyzes companies using the ESG evaluation platform that is common to both equities and fixed income.

◆ Main applications and considerations for ESG analysis

	Equities	Fixed income (Corporate bond)
Main purpose of applications of ESG analysis	Pursuing upside (limiting risks)	Limiting downside
ESG analysis considerations	Are initiatives to address ESG issues leading to management sustainability?	

◆ Application of ESG analysis for equities and fixed income





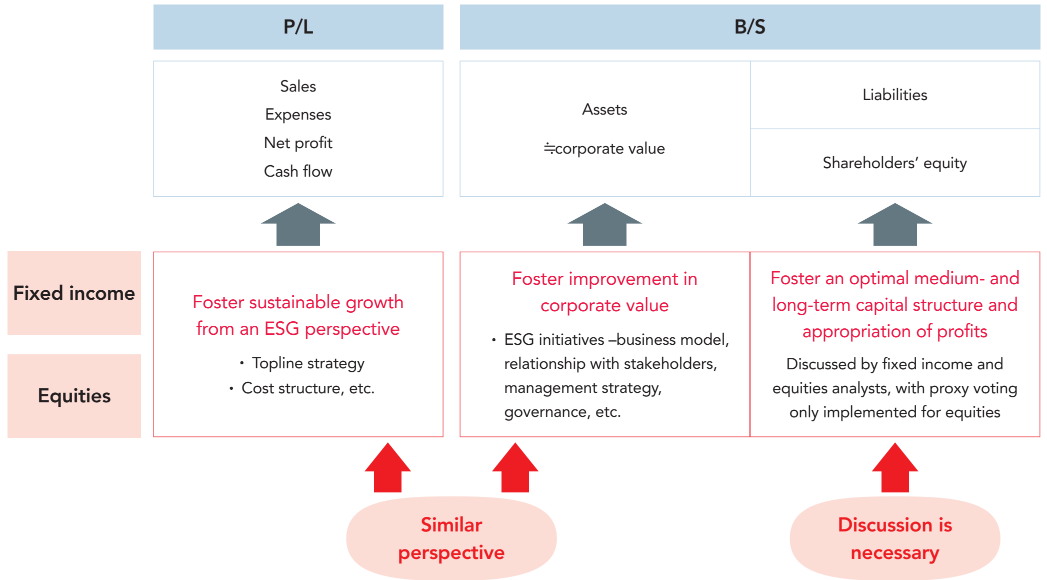
Conflicts of interest with fixed income and equities, and engagement

For fixed income, the principal is fully-repaid on reaching maturity, so it is important that the company survive until maturity. In other words, the sustainability of the company is important. NAM conducts ESG analysis for both equities and fixed income from the perspective of analyzing the sustainability of the company.

It is often said that there is a conflict of interest between equity investors (shareholders) and fixed income investors in aiming to increase their own asset value and safety of their respective positions. However, given that an important aspect for long-term investors is the sustainability of the company, their interests can be said to be generally aligned. The sustainability of the company will be affected if creditworthiness deteriorates due to shareholders' excessive demands for dividends or acquisition of treasury stock. Conversely, if the company substantially reduces its debt and increases the proportion of its capital, the company's cost of capital will increase, which would be indicative of management taking excessive risks.

From the above, we apply a common method of ESG evaluation for fixed income and equities. In addition, both fixed income and equities analysts at NAM aim to share the way sustainability and capital structure of companies should be from a long-term perspective in their engagement with the company.

◆ A bird's-eye-view of fixed income and equities analysis and engagement



Fixed income and equities analysts cooperate in engagement

Company X's agenda

Fixed income: Increase opportunities for dialogue with credit investors / Disclose future balance sheet management policy

Equities: Drastic reform of governance structure / Disclose EV strategy roadmap, etc.

Issue recognition

Company X's dependence on funding from banks has increased in recent years, and there was recognition that the lack of diversity in funding methods was an issue. This also coincided with a lack of corporate bond issues in recent years, so the opportunity for communication with corporate bond investors had dwindled. The company's funding policy had not been conveyed to corporate bond investors very well.

Details of dialogue

After coordinating issue recognition with equities analyst, NAM's analyst had a dialogue with the company's executive with the participation of equities analyst. Our analysts initiated discussions on the need to diversify funding sources from a risk perspective and on the need for everyday communication with the fixed income market to realize it. They also cited concerns about funding costs being higher than actually warranted relative to the company's creditworthiness due to a lack of communication with the market.

Response and outcome

An executive of the company positively responded that the company once again recognized the importance of a dialogue with the market, including corporate bond investors, asserting a desire to address the situation. Subsequently, a progress linked to action was confirmed with a subsidiary of the company issuing corporate bonds and increased opportunities for communication with bond investors.

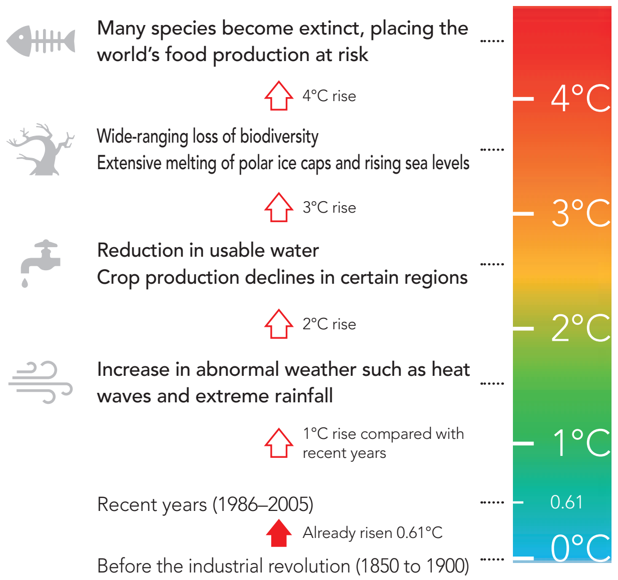
The climate change happening right now and risks for the future

According to the Intergovernmental Panel on Climate Change (IPCC), an organization set up by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP), by the period from 1986 to 2005, the world's average temperature had already increased by 0.61°C since the period before the industrial revolution (1850 to 1900). Furthermore, the IPCC forecast that serious risks would occur if the world's temperature continued to rise at the same rate, depending upon the extent of the rise (see figure to the right).

The Paris Agreement adopted in December 2015 called for the increase in the world's average temperature to be kept within 1.5°C of the temperature before the industrial revolution in order to avoid such risks.

The IPCC forecasts that, if the world continues taking no measures to combat climate change, its temperature will rise by around 4°C compared with before the industrial revolution. However, it would be possible to keep to within 1.5°C if measures were taken, so the future direction of the climate change issue could be said to depend on the choices we make.

Risks emerging at different levels of temperature increase



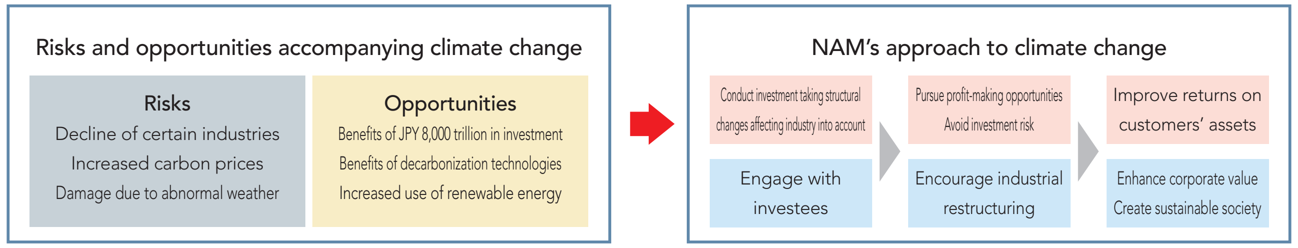
Source: Prepared by Nissay Asset Management based on the IPCC Fifth Assessment Report

As an asset management company, we can engage meaningfully with the climate change issue

Given the situation described above, the world's leading nations all recognize the risks associated with climate change, and major structural changes aimed at overcoming the crisis are already starting to get under way. According to the International Energy Agency (IEA), it has been estimated that achieving the goals of the Paris Agreement will require worldwide investment of up to JPY 8,000 trillion, while industries and economic activities employing fossil fuels are increasingly likely to be forced into scaling down.

Under such circumstances, significant investment opportunities and risks are expected to emerge in the asset management sphere too. As an asset management company, we are improving returns on our customers' assets by conducting investment that takes structural changes affecting industry into account in order to pursue profit-making opportunities and avoid investment risk. At the same time, we are engaging with investee companies in order to enhance their corporate value over the medium to long term, thereby encouraging industrial restructuring in our role as a supplier of funds, and contributing to the creation of a sustainable society that can cope with climate change.

Risks and opportunities accompanying climate change, and NAM's approach



Participation in the Net Zero Asset Managers initiative

At NAM we regard efforts to address climate change as an urgent task of the utmost importance, not only in light of our role as an asset management company, but also as a global citizen. We believe it is our societal responsibility as an investor to pass the Earth's precious environment on to the next generation.

As already mentioned, we believe that, in a situation where climate change has a significant effect on corporate value, efforts to address climate change by an asset management company can help to create a sustainable society that can cope with climate change in addition to increasing the value of our customers' assets.

In line with this approach, we joined the Net Zero Asset Managers initiative in March 2021.

This is an organization representing the asset management industry that was launched in December 2020 to contribute to reducing greenhouse gas emissions to net zero by 2050 as a means of achieving the Paris Agreement's 1.5°C target. The initiative was signed by 128 leading global companies, whose combined assets under management amount to USD 43 trillion, accounting for close to half of the worldwide total (as of July 2021).

Through this initiative, NAM intends to cooperate with asset owners from an asset management company's standpoint to further advance its ESG investment and help create a society that has net zero greenhouse gas emissions.

Greenhouse gas emissions currently associated with NAM's assets under management

We are using the Net Zero Asset Managers initiative to work on reducing greenhouse gas emissions associated with our assets under management. Here we set out the current performance of our internally managed investments in stocks (including REITs) and bonds (corporate bonds) in terms of the main greenhouse gas-related metrics to be disclosed in line with TCFD* recommendations.

* TCFD stands for Task Force on Climate-related Financial Disclosures. The TCFD calls on companies and financial institutions to disclose information on financial risks and potential impacts relating to climate change. As of June 1, 2021, a total of 2,257 organizations worldwide had declared their support for the TCFD. NAM became an official supporter in January 2019.

NAM's stock portfolios compare favorably with reference indices in terms of greenhouse gas emissions-related metrics

(1) Total carbon emissions of portfolios

This metric indicates the portions of total corporate greenhouse gas emissions that are attributable to an investor through its investments in stocks and corporate bonds. The amounts shown are the aggregated totals of values calculated for each company within our portfolios by multiplying each company's greenhouse gas emissions volume by the shareholding ratio for our investment in the company. The larger the size of the portfolio, the greater these amounts tend to be.

The volume of NAM investee companies' greenhouse gas emissions attributable to NAM amounts to a total of approximately 7.8 million tons. Foreign corporate bonds, of which we have a large portfolio, account for the highest volume of emissions at approximately 3.8 million tons.

◆ Total carbon emissions of NAM's portfolios

Asset classification	Total carbon emissions (tons of CO_2 equivalent)
Domestic stocks	964,524
Foreign stocks	401,773
Domestic corporate bonds	2,640,015
Foreign corporate bonds	3,783,696
Total	7,790,007

Note: We used MSCI ESG Research LLC.'s services to obtain data on each investee's greenhouse gas emissions (Scope 1 & 2) and EVIC (enterprise value including cash) during fiscal 2019 based on the International Securities Identification Numbers (ISINs) for all our internally managed investments (stocks and corporate bonds) as of March 31, 2021. Having excluded missing values, we employed the method of calculation recommended by Partnership for Carbon Accounting Financials (PCAF) to calculate the greenhouse gas emissions attributable to NAM ("financed emissions").

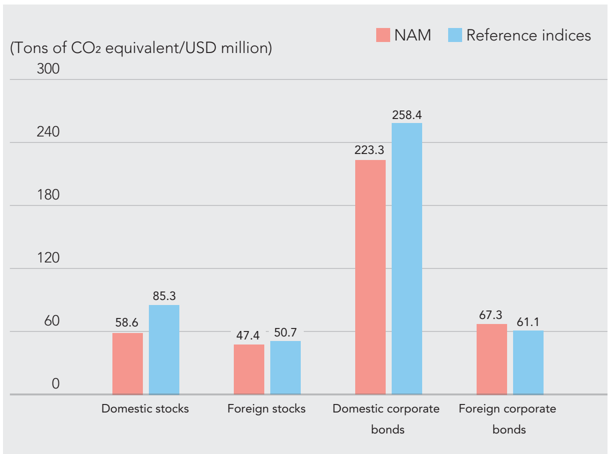
Source: Some data are reproduced with the permission of ©2021 MSCI ESG Research LLC.

(2) Carbon footprint of portfolios

This metric shows emissions adjusted for portfolio size, enabling comparison between portfolios and between asset categories. It is calculated by dividing each portfolio's total carbon emissions, as stated in the section above, by its market capitalization. "Carbon footprint" means the volume of greenhouse gas emissions throughout the entire process from manufacturing to sale of products; this metric divides emissions volumes by market capitalization to look at carbon footprints per unit of investment in each portfolio.

The figure to the right compares NAM's carbon footprint for each asset category with the corresponding footprint if the same sum had been invested in typical ("reference") indices. NAM's carbon footprints for domestic and foreign stocks, and domestic bonds, are lower than those of the reference indices. The reason that NAM's footprint for foreign bonds is a little higher than the reference index is that NAM currently has slightly higher investments in companies such as electric power companies that have high emission volumes.

◆ Carbon footprint of NAM's portfolios



Notes:
1. The reference indices are as follows: TOPIX for domestic stocks, MSCI Kokusai for foreign stocks, NOMURA-BPI (corporate bonds) for domestic corporate bonds, and Bloomberg Barclays Global Aggregate Corporate Total Return Index for foreign corporate bonds.
2. Amounts shown above are calculated using the total carbon emissions of NAM's portfolios and total carbon emissions of assumed investments in the reference indices.

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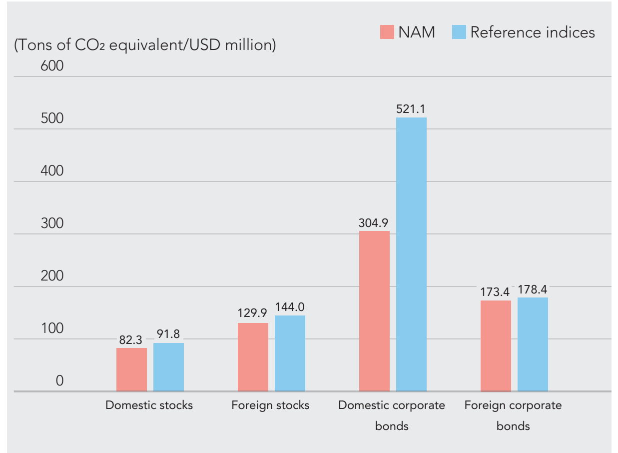
(3) Weighted average carbon intensity of portfolios

The total carbon emissions of NAM's portfolios, as stated on the previous page, are also affected by the value of investee companies' sales. Carbon intensity is the metric for assessing greenhouse gas emissions adjusted for value of sales, and it enables examination of the extent to which companies are emitting greenhouse gases in the course of generating sales (i.e., conducting their business). The weighted average carbon intensity of NAM's portfolios is the result of using the percentage of NAM's portfolio accounted for by each investee as the weighting to calculate the weighted average of their carbon intensities. Carbon intensity can be explained as a measure of how "intense" (large) a company's emissions are per unit of net sales.

According to this metric, the carbon intensities of NAM's portfolios are lower than those of the reference indices in all four asset categories (see figure to the right).

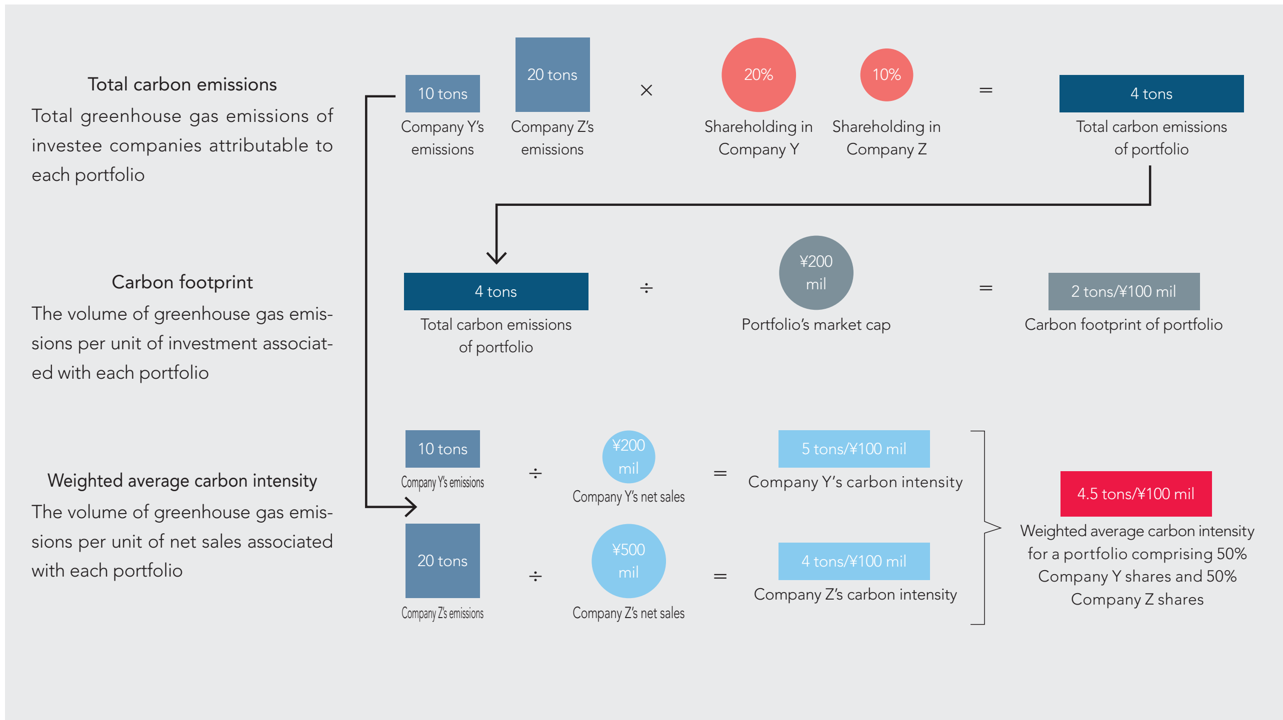
◆ Weighted average carbon intensity of NAM's portfolios



Notes:
1. For details of reference indices, see the notes for the figure entitled "Carbon footprint of NAM's portfolios" on the previous page.
2. Carbon intensities were calculated by using MSCI ESG Research LLC.'s services to obtain data on each investee's greenhouse gas emissions (Scope 1 & 2) per unit of net sales in fiscal 2019 based on the ISINs for all our internally managed investments (stocks and corporate bonds), as well as reference index investments, as of March 31, 2021. Missing values were excluded prior to calculation.

Source: Some data are reproduced with the permission of ©2021 MSCI ESG Research LLC.

Reference: Each metric's meaning and method of calculation



NAM's well-developed framework to address climate change

We regard addressing the climate change issue as an important task for NAM, requiring development of an organizational framework, as recommended by the TCFD. Here we describe initiatives to that end, focusing primarily on the Investment Division.

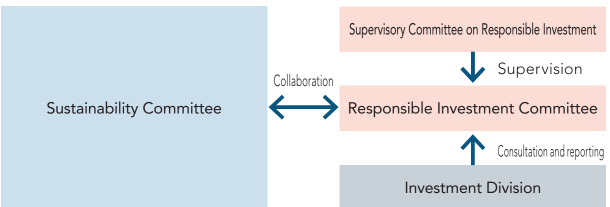
◆ Framework recommended by the TCFD

Governance structure to address climate change

In order to systematically tackle sustainability issues including climate change, in May 2021 NAM established the Sustainability Committee as an organization subordinate to the Board of Directors. In the investment sphere, the Responsible Investment Committee* deliberates on and determines policies for reducing greenhouse gas emissions, reporting to and collaborating with the Supervisory Committee on Responsible Investment* and the Sustainability Committee.

* See "Overall image of activities and structure" on page 8.

◆ Governance structure relating to the climate change issue in the investment sphere



Investment risk management to address climate change

The TCFD calls on companies to state how they manage risk relating to climate change, and it calls on asset management companies in particular to state how they manage climate change-related risk associated with their investment products.

NAM uses its own ESG evaluation to understand climate-related risks and other aspects of investee companies, reviewing the suitability of evaluation criteria annually. We also use this evaluation as the basis for setting medium- to long-term results forecasts, as well as for engaging with companies.

To manage the climate change-related risk of investment products, we monitor the climate change-related metrics introduced on the previous pages for each individual product.

Strategy to address climate change

The TCFD calls on asset management companies to state how the risks and opportunities associated with climate change are incorporated into their investment products and strategies, and how those products and strategies would be affected by the transition to a decarbonized society.

NAM has incorporated climate change-related risks and opportunities, including investee companies' efforts to meet the TCFD's recommendations, in its assessments of companies. For each portfolio resulting from such assessments, we monitor metrics relating to greenhouse gas emissions and other relevant factors, and work to deepen our understanding of risks and opportunities, most notably by conducting the scenario analysis shown on the following page, as recommended by the TCFD, for companies we rate highly from an environmental perspective.

Metrics and targets to address climate change

The TCFD calls on companies to state the metrics they use to assess climate change-related risks and opportunities, while asset management companies are required to state the metrics they use to assess investment products, and for investment decisions and monitoring.

NAM regularly monitors its investees, including their environmental (E) evaluation ratings awarded under its own ESG evaluation system, and their stock price performance. We also keep track of, and oversee, environment-related discussions during dialogues with investees. Meanwhile, we calculate the metrics introduced on the previous pages for individual portfolios, including greenhouse gas emission volumes, in order to analyze climate change-related risks and opportunities. We will continue making use of such metrics as we engage in asset management and dialogue, aiming to contribute to net zero carbon emissions in 2050.

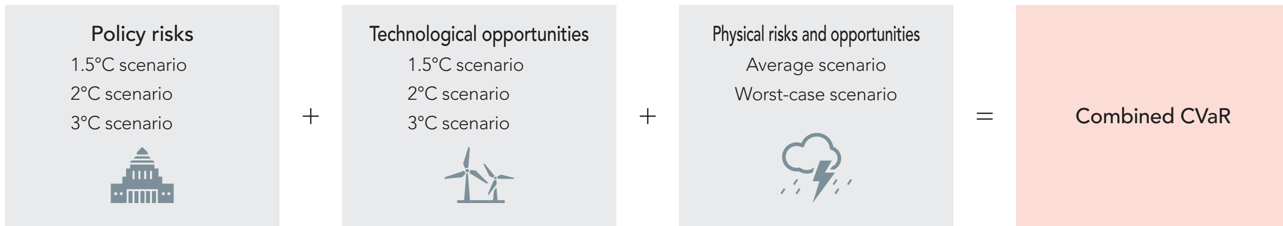
Analysis of climate change scenarios

When analyzing climate change scenarios, we assess how our investment portfolios will be impacted based on specific future climate change scenarios relating to climate change-related policymaking, technological advances, and climate-related disasters.

Here, we have used MSCI Inc.'s Climate Value-at-Risk (CVar) metric to calculate the impacts on the corporate value of companies awarded the highest E1 rating within our own environmental (E) rating system, and compared these with the impacts on TOPIX companies.

CVaR is used in analyzing the extent to which corporate value would change under various climate change scenarios. For example, if the CVaR is +5% under the 1.5°C scenario, it means that corporate value would increase by 5% under this scenario. Moreover, CVaR comprises three analysis categories: policy risks related to climate change, technological opportunities deriving from low-carbon technologies, and physical risks and opportunities; the impacts associated with all three of these categories are added up as "combined CVar". The results of analysis comparing the CVaR of E1-rated companies with the CVaR of TOPIX companies are as shown in the table below.

Combined CVaR analysis categories and assumed scenarios



Source: Some data are reproduced with the permission of ©2021 MSCI ESG Research LLC.

◆ Results of scenario analysis using CVar (Rates of increase or decrease in corporate values of E1-rated companies compared with TOPIX companies)

		3°C scenario	1.5°C scenario
Transition risks and opportunities		1.66%	15.79%
	Policy risks	0.55%	-1.81%
	Technological opportunities	1.12%	17.61%
Physical risks and opportunities		3.68%	3.68%
Combined CVaR		5.36%	19.48%

Notes:
1. Analysis results are based on the 1.5°C and 3°C scenarios for policy risks and technological opportunities, and on the average scenario for physical risks and opportunities.
2. The data for both E1-rated companies and TOPIX companies are as of March 31, 2021. The data for E1-rated companies comprise simple arithmetic averages for the portfolio. Totals do not match the sum of the individual figures due to rounding to the nearest unit.

Source: Some data are reproduced with the permission of ©2021 MSCI ESG Research LLC.

As a result of conducting climate change scenario analysis using CVaR, we found that the combined CVaR of E1-rated companies indicated a relative gain in corporate value compared to the TOPIX companies for both the 1.5°C and 3°C temperature increase scenarios. In particular, the effect of climate change-related technological opportunities on corporate value under the 1.5°C scenario differed significantly between the E1 rated companies and the TOPIX companies.

CVaR relating to physical risks and opportunities indicates the financial impact of chronic risks resulting from abnormal weather, such as heat waves and heavy rainfall, as well as acute risks such as flooding disasters. In this category, a negative impact on corporate value was predicted for both the E1-rated companies and the TOPIX companies, but the negative impact on the E1-rated companies was relatively small compared to the impact on the TOPIX companies, resulting in a comparative CVaR of +3.68% in both cases.

For NAM, this was our first attempt at such scenario analysis, and we learned a great deal during the process. We will continue conducting such scenario analysis in order to deepen our understanding of climate change-related risks and opportunities.

Overseas offices

Sustainability trends in Europe and the United States: Perspectives from NAM's overseas operating sites

NAM strives to improve its asset management capabilities by working with overseas operating sites to conduct ESG evaluation. We asked two individuals involved in ESG analysis at overseas sites about current developments in Europe, which has played a leading role in ESG investment worldwide, and in the United States, which has recently embarked on a major change of direction.

◆ Overseas offices

— Overseas Subsidiary
— The Nippon Life Group

Nippon Life Global Investors Europe PLC

Nippon Life Schroders Asset Management Europe Limited

Nippon Life Global Investors Singapore Limited

NISSAY ASSET MANAGEMENT

Nippon Life Global Investors Americas, Inc.

Pursuit of the European Green Deal

As one of the six priorities spearheaded under European Commission president Ursula von der Leyen's administration, the European Green Deal is a new growth strategy for Europe targeting a highly resource-efficient, competitive economy. The strategy proposes around 50 plans for action, comprising measures emblematic of Europe's pioneering role in the ESG sphere. They include the European Climate Law, which will legally enshrine the target of achieving net zero greenhouse gas emissions by 2050, and the European Green Deal Investment Plan, aimed at stimulating around one trillion euros in sustainable investment over 10 years.

The birth of the Biden administration

Since assuming office on January 20, 2021, President Joe Biden has addressed climate change proactively, issuing an order to rejoin the Paris Agreement on his first day in office, and hosting the Leaders Summit on Climate. He is pursuing decarbonization, having announced the American Jobs Plan, which entails investment to the tune of some two trillion dollars, focused primarily on developing US infrastructure and combating global warming. Steps such as issuing an Executive Order obligating US financial and fiscal regulatory agencies and others to incorporate climate change risk into financial regulation indicate that Biden is clearly demonstrating the differences between himself and former President Trump, who was negative toward ESG-related initiatives, including measures to combat climate change.

Nippon Life Schroders Asset Management Europe Limited (NSAME)

Ryota Muranaka
Fund Manager
NSAME

I think that the European Green Deal, announced in December 2019, has fostered a tendency to place particular emphasis on the E (environmental) aspect of ESG. Setting carbon neutrality in 2050 as a target has made us all the more aware that decarbonization will be the long-term trend of the next 30 years. Also, the EU taxonomy, which classifies "green" economic activities to direct private-sector funding toward sustainable investment, and the Sustainable Finance Disclosure Regulation (SFDR), which requires asset management companies and others to disclose information on sustainability, will become mandatory. Thus, mechanisms will be adopted to ensure funds flow into companies that help to achieve the Green Deal. Although the need to reduce greenhouse gas emissions was already widely recognized, the Green Deal means that the European authorities are now actually committed to pursuing the reduction of greenhouse gases, while the reduction in renewable energy costs resulting from technological advances will make the target of achieving carbon neutrality in 2050 even more feasible. At the same time, I have the impression that technologies and products that previously made little economic sense due to high costs have now started to become more widespread. For example, the costs of generating electricity using onshore wind power have declined more than 60% since 2009 due to factors such as the maturation of the turbine supply chain and improved efficiency, resulting in costs that are lower than at existing thermal power plants in the UK and Brazil. Meanwhile, the European authorities are encouraging more widespread use of hydrogen energy, which entails higher costs than other technologies, through a policy of reducing the relative costs by improving carbon pricing measures. As a result, attention is now focusing on the electrolytic cell manufacturers who stand to benefit from this policy. At NSAME, we regard these trends as investment opportunities, and are actively researching which companies contribute to achieving the Green Deal. We will work out how the Green Deal will affect the growth potential and profitability of investee companies and strengthen our efforts to turn the benefits into corporate value.

Nippon Life Global Investors Americas, Inc. (NLGIA)

Alex Barros
Senior Vice President,
Portfolio Manager

The Biden administration brings with it dramatic changes in the U.S. approach towards ESG. The new administration is pursuing a major regime shift with respect to ESG policy in the United States. President Biden's proposed infrastructure bills support and advocate for sustained long-term growth in the renewable energy and electric vehicle industries. Additionally, the Securities and Exchange Commission (SEC) has set up a task force on climate change disclosures and ESG related misconduct. Progressive Democrats are considering legislation to encourage US pension funds to take ESG factor into consideration in their investment portfolios. Changes to the disclosure standards for Climate Change and ESG could lead to changes in investor behavior, and dramatic changes in the behavior of corporations.

Some companies are linking ESG indicators to executive compensation, and the change in awareness at the management level is steadily progressing. At meetings with utilities and energy companies, management teams are often eager to talk about efforts to reduce CO_2 emissions and concurrent long term profit gains.

The Biden administration is focusing not only on environmental issues but also on social issues aiming to make amends and repair past inequalities by supporting education for and empowerment of minorities and women. US companies, NGOs and even the White House are all actively promoting and monitoring diversity. Securing excellent human resources is critical for every sector, and every corporation.

Under the former Trump administration, Europe was often well ahead of the U.S. when it came to ESG initiatives. And that gap should narrow as the Biden administration creates a permanent transformation through significant policy shifts. If ESG initiatives and information disclosure by companies evolve, ESG factors should be much more clearly reflected in investment returns. We believe that would also be better reflected in investment valuations and would create related investment opportunities.

PRI Digital Conference

PRI Digital Conference

NAM will be acknowledged as Lead Sponsor at the PRI Digital Conference (hereinafter "Conference"). First proposed by the United Nations, Principles for Responsible Investment (PRI) was established in 2006. It stipulates, among other things, that environmental, social, and corporate governance (ESG) issues should be reflected in investment and ownership decision-making. NAM signed the PRI in 2006.

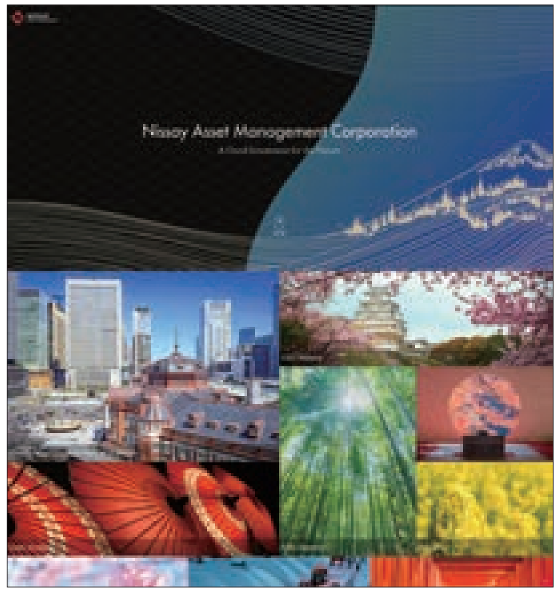
The Conference will be held online between October 18–21, 2021, and will bring together asset managers, asset owners, and other global ESG investment leaders to discuss key ESG issues such as climate change, human rights, and corporate governance.

With more attention being paid to environmental and social sustainability in the wake of the COVID-19 pandemic, around 3,000 people are expected to attend the Conference, and it will be a great opportunity to grasp the latest developments surrounding ESG.

NAM will also be the Lead Sponsor of PRI's Academic Network Week being held between September 13–17, 2021. The purpose of this event is to bridge the gap between researchers and investors regarding responsible investment. The latest research and insights on responsible investment will be compiled in an easy-to-understand manner through the publication of findings from academic research by authors and discussions by investment professionals.

By supporting these events, NAM will fulfil its social responsibility as an institutional investor and continue its ceaseless efforts to further advance ESG management.

We launched a dedicated website for the Conference.



Our corporate website features an "SDGs Quiz" page.

Corporate initiatives

As environmental and social sustainability advances worldwide, we believe that the accumulated efforts of every officer and employee are crucial. We installed water dispensers to discourage use of disposable plastic bottles. And we plan to implement companywide initiatives such as converting the lighting in the hallways leading to meeting rooms to LED.

Donation of binders to external organization

Our efforts for reducing cabinets and going paperless have eliminated the need for binders to organize documents. As one of our sustainability initiatives, we donated some 600 binders (40 cardboard boxes worth) to an external organization (Second Life).

セカンドライフ

Promoting teleworking

NAM has implemented measures to prevent the spread of COVID-19 with top priority placed on preventing its spread within and outside the company and ensuring the safety of employees. We established the COVID-19 Prevention Center which carries out activities such as formulating preventative measures, instilling awareness, and keeping track of cases of infection. Even before the state of emergency was declared in April 2020, we had been promoting teleworking and working to limit person-to-person contact by implementing measures to reduce office attendance by around 30% and holding internal meetings using online conference system as a rule.

Companywide solidarity-building initiatives

As Lead Sponsor of the PRI Digital Conference and PRI signatory, NAM has formed a solidary-building team and is engaging in a wide range of activities and initiatives to further strengthen internal commitment to ESG and SDGs.

Internal webinar on climate change

With discussions on net zero emissions in the spotlight, we developed and launched a webinar for employees to deepen their knowledge and understanding of climate change. We also hold SDGs quiz competitions to deepen knowledge and understanding of SDGs and boost companywide solidarity.

Furthermore, we designed and distributed company lanyards to all employees that incorporate both the PRI signatory logo and company logo to promote sustainability among employees and deepen their commitment to PRI initiatives.

Lanyards incorporating NAM and PRI logos

FY2020 Topics

Global trends | 2020 | NAM response and actions

2020 Apr

NAM response and actions:
- Announces stewardship activity policy during COVID-19 pandemic.
- Fully expands teleworking to fight spread of COVID-19.

Jul

Global trends:
Japan
- Assessments and evaluations of companies start sequentially based on the report by the Expert Study Group on Capital Markets in Japan of the Financial System Council on Tokyo Stock Exchange reform.
- All retail businesses are required to charge for plastic bags.

NAM response and actions:
- Submits an opinion in response to the US Department of Labor's call for opinions on new ERISA regulations, requesting that it clearly state that considering ESG factors for the purpose of improving investment return does not violate fiduciary obligation.

Sep

Global trends:
- IFRS Foundation proposes establishing a Sustainability Standards Board (SSB).

Oct

Global trends:
Japan
- Prime Minister Suga announces goal of attaining net zero greenhouse gas emissions by 2050 in policy speech (2050 Carbon Neutral Declaration).

NAM response and actions:
- President and Chief Executive Officer Hiroshi Ozeki speaks at TCFD Summit 2020, organized by the Ministry of Economy, Trade and Industry.

Nov

Global trends:
- The government of the UK announces policy to require disclosure in line with TCFD standards.
- SASB and IIRC announces they will merge to form the Value Reporting Foundation (VRF) for the purpose of advancing reporting on long-term corporate value creation.

NAM response and actions:
- Gives lecture on ESG investment practice at JPX ESG Knowledge Hub, a new platform launched by the Japan Exchange Group.

In March 2020, JPX released the *Practical Handbook for ESG Disclosure* and began providing tips that are useful for listed companies when tackling ESG issues to contribute to improving corporate value.

In November 2020, it launched a platform called JPX ESG Knowledge Hub. The platform features contents such as videos describing topics of the handbook in a more detailed, concrete way, and the latest information on ESG investment for institutional investors. On November 20, 2020, CCGO George Iguchi and Chief Analyst Toshikazu Hayashi provided practical explanations via videos in the Practical ESG Disclosure Seminar, which are available on the JPX ESG Knowledge Hub.

- JPX ESG Knowledge Hub
  https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/index.html
- ESG Investment Trends and the Diversification of ESG Information Usage (Hayashi)
  https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/practical-disclosure-seminar/2020-103.html
- ESG Investment and Required Disclosure of ESG Information: From the Perspective of Active Investment (Iguchi)
  https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/practical-disclosure-seminar/2020-105.html
- Features and Trends of the ESG Disclosure Frameworks (Hayashi)
  https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/practical-disclosure-seminar/2020-401.html

Dec

Global trends:
Japan
- The government formulates the "Green Growth Strategy through Achieving Carbon Neutrality in 2050" as an industrial policy to apply efforts toward achieving carbon neutrality by 2050 to the creation of a virtuous cycle of environment and economy.
- International Integrated Reporting Framework is revised for the first time in seven years.
- Net Zero Asset Managers initiative launches.

NAM response and actions:
- President and Chief Executive Officer Hiroshi Ozeki attends Carbon Neutral National Forum held at the Prime Minister's Office and announces initiatives for achieving carbon neutrality by 2050.

On December 17, 2020, President and Chief Executive Officer Hiroshi Ozeki attended the Carbon Neutral National Forum held at the Prime Minister's Office and announced NAM's initiatives for carbon neutrality by 2050. The forum was attended by Prime Minister Suga, who had announced Japan's goal to achieve carbon neutrality by 2050, and relevant Cabinet members. Participants representing a variety of age groups and fields made declarations and announcements of specific initiatives to build momentum in Japan to achieve carbon neutrality. President Ozeki was the forum's only participant from the financial industry.

- Scenes of the event can be seen on the Prime Minister's Office of Japan's website.
  https://www.kantei.go.jp/jp/99_suga/actions/202012/17carbon_neutral.html
- The agenda and all declarations and announcements from participants are available on the Cabinet Secretariat's website.
  https://www.cas.go.jp/jp/seisaku/carbon-neutral/dai1/gijisidai.html

2021 Jan

NAM response and actions:
- Ranked 1st in the Stewardship Activities Category of the 2020 Pension Customer Satisfaction Survey for Managed accounts, published by Rating & Investment Information, Inc.

Feb

Global trends:
Japan
- Discussions on carbon pricing by the Ministry of Economy, Trade and Industry and the Ministry of the Environment go into full swing.

US
- The US formally rejoins the Paris Agreement.

Mar

Global trends:
Europe
- SFDR goes into effect, requiring asset management companies and other relevant players to disclose sustainability information.

NAM response and actions:
- Joins Net Zero Asset Managers initiative.
- Acknowledged as Lead Sponsor of PRI Digital Conference.
- Establishes ESG Investment Promotion Department to strengthen ESG investing.
- Makes donation to Kanazawa Institute of Technology to support SDGs education.

Apr

Global trends:
- Leaders Summit on Climate is held. Japan announces goal of reducing greenhouse gases 46% by 2030 compared to fiscal 2013 and the US announces a 50–52% reduction by 2030 compared to 2005.

NAM response and actions:
- Announces endorsement of the Japan Climate Initiative (JCI)'s message of "Calling for an Ambitious 2030 Target for Japan to Realize the Paris Agreement Goal."

May

NAM response and actions:
- Announces endorsement of the 2021 Global Investor Statement to Governments on the Climate Crisis coordinated by the investor group The Investor Agenda.
- Establishes Sustainability Committee.

Jun

Global trends:
Japan
- Corporate Governance Code is revised.

NAM response and actions:
- Declares support for requiring disclosure of information useful in the investor decision-making process through the PRI in response to the US Securities and Exchange Commission's call for opinions on climate-related disclosure.
- Holds seminar titled "Thinking about Climate Change: Investing in the Net Zero Era."
- Signs AIGCC and PCAF.

On June 7, 2021, we held a seminar titled "Thinking about Climate Change: Investing in the Net Zero Era." Professor Yukari Takamura from the University of Tokyo's Institute for Future Initiatives was invited to speak, and it featured a panel discussion between three people, including Chief Equity Strategist Shingo Ide from NLI Research Institute and President and Chief Executive Officer Hiroshi Ozeki.

Participants pointed out that in order to achieve the goal of carbon neutrality by 2050, there is a need to change energy policies and carry out rapid transformations and transitions on a wide scale — which includes the structure of industry. They also discussed the huge role of financial service providers and investors such as asset owners, and that climate change is not a distant risk but it could become a systemic one that threatens the financial market.

Organization	Overview
Signatory of: PRI Principles for Responsible Investment	The PRI is an international organization that supports the integration of responsible investment practices and leadership and ESG issues throughout the entire investment chain. Supported by UN partners, it has over 4,000 signatories with a total of USD 100 trillion in assets under management.
ICGN International Corporate Governance Network	The ICGN is an organization with the purpose of building effective governance and fostering stewardship among investors to facilitate efficient markets and sustainable economies. It establishes standards and guidelines on governance and stewardship, and provides a wide range of support and advice.
TCFD Task Force on Climate-related Financial Disclosures	The TCFD is a taskforce established by the Financial Stability Board (FSB) in 2015 at the request of G20 finance ministers and heads of central banks. It submitted its final report on climate-related financial disclosures to G20 members in June 2017.
NET ZERO ASSET MANAGERS INITIATIVE	The Net Zero Asset Managers initiative is an organization that represents the asset management industry launched in December 2020. Its purpose is to contribute to achieving net zero emissions of greenhouse gases by 2050 to attain the goal of limiting global warming to 1.5℃ agreed on in the Paris Agreement. It collectively manages a total of over USD 40 trillion in assets, accounting for nearly half of the world's assets under management (as of July 2021).
CDP	CDP is a non-governmental organization in the UK established in 2000. It operates a global information disclosure system that enables investors, companies, nations, regions, and cities to manage their environmental impacts.
Asia Investor Group on Climate Change	The Asia Investor Group on Climate Change (AIGCC) is an initiative to deepen understanding and encourage proactive actions among asset owners and financial institutions in Asia about the risks and opportunities associated with climate change and low-carbon investment.
PCAF Partnership for Carbon Accounting Financials	PCAF is an investor-led initiative with the purpose of developing methods to calculate greenhouse gas emissions associated with loan and investment portfolios. It develops methodologies for a variety of asset classes.
Value Reporting Foundation SASB Standards	The Value Reporting Foundation was established in 2021 through the merger of the International Integrated Reporting Council (IIRC), which formulated the International Integrated Reporting Framework, and the Sustainability Accounting Standards Board (SASB), which developed the SASB Standards to provide industry-specific sustainability disclosure indicators.
JSIF	The JSIF was established to promote and advance sustainable investment in Japan. It provides a space for people and organizations involved with SRI and ESG investment to exchange ideas, and encourages companies to provide disclosures to build a sustainable society through the sound development of sustainable investment.
21世紀金融行動原則	21st Century Financial Behavior Principles was formulated in October 2011 as action guidelines for financial institutions to fulfill the responsibilities and roles necessary for the formation of a sustainable society. Signatory institutions are required to practice efforts based on seven principles in accordance with their type of business.
Japan Climate Initiative	The Japan Climate Initiative (JCI) is a network in Japan established to strengthen communication and the exchange of ideas among companies, local governments, NGOs, and other entities actively engaged in climate action. In order to realize the decarbonized society envisioned by the Paris Agreement, it aims to encourage Japan to stand at the forefront of challenges with other countries and strive to overcome the crisis of climate change.
JSI Japan Stewardship Initiative	The JSI shares information on practical issues associated with stewardship activities between asset owners, asset managers, and other relevant industry players, and carries out other efforts such as re-examining the reporting format of stewardship activities from asset managers to asset owners.

Column Increased discussion about "What is the added value of ESG investment?"

There is unlikely to be any disagreement that ESG and sustainability related investment (referred to as "ESG investment" in this column) has now become a global trend. Worldwide, assets under management in ESG investment total approximately USD 35.3 trillion (as of December 2019, however the data for Japan is as of March 31, 2020, according to GSIA*), while the figure for Japan is reported to be approximately JPY 310 trillion (as of March 31, 2020, according to Japan Sustainable Investment Forum). The number of institutional investors and service providers, that are the main players in ESG investment and signatories to PRI, has recently broken through 4,000 and the number continues to grow.

On the other hand, the worldwide increase in ESG investment has been accompanied by an increase in interest in the question, "What is the essential difference between ESG investment and other investments?" In other words, "What in the world is the added value provided by ESG investment?"

* Global Sustainable Investment Alliance

The increased debate in Japan has been prompted by points made by the Financial Services Agency

In Japan, there have been successive comments and reports concerning the two reports released by the Financial Services Agency in the first half of 2021.

Specifically, the "Report by the Expert Panel on Sustainable Finance," released by the Financial Services Agency in June 2021, clearly noted that "When investment trusts are particularly called ESG or SDGs, fund managers should explain how the products satisfy characteristics of the designations with as concrete metrics as possible lest customers should misunderstand the meaning of their names."

Furthermore, the "Progress Report on Enhancing the Asset Management Business 2021," published by the Financial Services Agency at around the same time, reported that no major difference was evident on comparing the ESG scores for investees companies of domestic equity-type ESG related funds and other funds among domestic publicly offered investment trusts, using the score of a certain ESG evaluation institution, which prompted further discussion.

Such comments and reports clearly raise the question, "What is the added value of ESG investment?"

Categorization of financial products progresses in Europe

In Europe, disclosure regulations have been introduced for the categorization of financial products including ESG investments according to the characteristics of their added value, along with the "visualization" of such added value. This refers to the regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation (SFDR)), which came into effect in March 2021.

The SFDR establishes a system under which financial products are classified according to their characteristics into three categories of "normal investments," "light green" (products with either environmental or social characteristics), and "dark green" (products with sustainable investment objectives), with disclosure level requirements set according to the category (the scheme requires stricter disclosure for dark green over light green and for light green over normal investments).

The first point of interest is, that regardless of the aforementioned categories, the disclosure of the method for considering ESG factors that could have a negative impact on investment value (defined as sustainability risk in SFDR) in the investment decision and the evaluation of the impact on the investment return is required on a "comply or explain" basis. Furthermore, for financial products that have the effect of improving the global environment or social economy (light green or dark green), there is a requirement that such effect be disclosed.

In other words, there is a requirement that the effects of all financial products that aim to add value to investment returns through consideration of ESG factors be disclosed. Additionally, "visualization" is also required concerning the added value for financial products that provide added value in terms of environmental and social effects.

Toward improvements in the added value of ESG investment and visualization at NAM

As suggested by the new regulatory framework introduced in Europe, the added value of ESG investments is not necessarily a single item. There are two main aspects: "improving investment returns through consideration of ESG factors" and "environmental and social effects of investment activities," but on delving further into the specific details and level, the added value ultimately varies for each financial product.

NAM has strived to increase and clarify added value since 2008 by introducing a scheme for ESG analysis and evaluation based on strong awareness of improving investments returns and promoting PDCA with regular monitoring of the relationship between ESG ratings and stock price performance. (Our initiatives are also partially described in this Stewardship Report). Furthermore, we have recently been strengthening initiatives for "visualization" including on the aspects of environmental and social effects of investment. It is getting increasingly important for asset management companies that are putting their efforts into ESG investment to aim for increased added value in ESG investment, while also conveying this to customers and wide-ranging stakeholders in an easy-to-understand manner.

Our strengths

Well-experienced and cohesive investment team

Our investment team provides consistent and well-disciplined investment services backed by a steadfast investment philosophy. We do not chase short-term profit but rather pursue medium- to long-term excess return through a comprehensive risk management mechanism, which is underpinned by our well-experienced and cohesive investment team. One example is our Japanese equity investment team which has Japan's one of the largest array of professionals and employs a full bottom-up investment approach.

Environment enabling dedication to investment

In 2016, we established the Investment Operations Development Department to centralize front-desk operations and are developing an environment that enables portfolio managers and analysts to focus on investment services. Particularly, we are improving efficiency and quality of operations by implementing robotic process automation (RPA) for standardized routine work.

R&D team that pursues new alpha sources

Seeking new investment opportunities, our R&D team engages in activities such as researching and analyzing the latest macro information and ESG information, and utilizing investment theory and financial engineering to develop new investment methods. One example is our Investment Technology Development Department which unearths new alpha sources by using alternative data and other means.

Team structure

Investment Division

- Fixed Income Investment Department
  - Global Fixed Income Investment Team
  - Fixed Income Investment Team
  - Credit Research Office
- Equity Investment Department
  - Japanese Equities Team
  - Global Equities Team
  - Investment Research Office
  - Real Estate Investment Team
- Strategic Investment Department
- Quantitative Investment Department
- Investment Planning Department
  - Investment Trust Development Office
  - Global Macro Research Office
- Investment Operations Development Department
- Investment Technology Development Department
- ESG Investment Promotion Department

Insurance Asset Management Division

- Foreign Equity and Alternative Investment Department
- Credit Investment Department
  - Insurance Credit Research

Investment professionals (In-house)


Director
Executive Officer
Co-Chief Investment Officer (Co-CIO)
Masayoshi Tsuda


Director
Executive Officer
Keisuke Kawasaki


Executive Officer
Chief Corporate Governance Officer (CCGO)
George Iguchi


Co-Chief Investment Officer (Co-CIO)
Head of ESG Investment Promotion Department
Tomoaki Fujii


Head of Investment Planning Department
Hiroyuki Shoji


Head of Equity Investment Department
Hiroyuki Uchida


Head of Fixed Income Investment Department
Shigehiro Hotta


Head of Credit Investment Department
Daisuke Fukayama


Head of Strategic Investment Department
Kazuhiro Tanaka


Head of Quantitative Investment Department
Motoi Umino

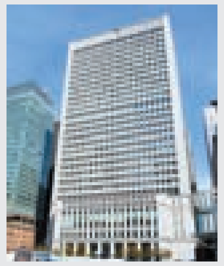

Head of Investment Operations Development Department
Toshiyuki Kiso


Head of Investment Technology Development Department
Takaaki Yoshino


Head of Investment Research Office
Shinya Hashida

Company Profile

As of March 31, 2021



◆ Headquarters

Corporate name	Nissay Asset Management Corporation
Equity capital	Approximately JPY 75.0 billion
Shareholder	Nippon Life Insurance Company (100%)
Number of employees	Approximately 630
Location	◆ Headquarters Nihon Seimei Marunouchi Building 1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8219 Japan Telephone number: +81-3-5533-4000 (Main) ◆ Osaka Branch Office EDGE Yodoyabashi 2-4-10 Imabashi, Chuo-ku, Osaka 541-0042 Japan Telephone number: +81-6-6204-0201 (Pension); +81-6-6204-0223 (Investment trust)
Overseas offices	Nippon Life Global Investors Singapore Limited 138 Market Street #34-02 CapitaGreen Singapore 048946 Telephone number: +65-6800-7000 (Main)
Businesses	Investment Management Business, Investment Advisory and Agency Business; and services pertaining to Type-II Financial Instruments Business
Registration NO	Director of Kanto Local Finance Bureau (Financial instruments firms) No. 369
Membership in Financial Instruments Firms Associations	The Investment Trusts Association, Japan Japan Investment Advisers Association ・Japan Investment Advisers Association Membership number: 010-00092

Directors

As of March 25, 2021

President and Chief Executive Officer	Hiroshi Ozeki
Executive Vice President	Toshihiro Nakashima
Senior Managing Director	Kojiro Hirose
Managing Director	Hidenobu Uehara / Akira Hosoda
Director	Masayoshi Tsuda / Keisuke Kawasaki
Director (part-time)	Makiko Fuse*[1] / Etsuro Kuronuma*[1] / Masataka Hama*[1] / Yosuke Matsunaga / Hideyuki Imanishi
Member, Board of Auditors	Hiroki Fukuta
Member, Board of Auditors (part-time)	Yuji Yoshimasu*[2] / Kiyomi Kikuchi*[2] / Kazuo Kobayashi

*1 Outside Director stipulated in the Companies Act
*2 Outside Corporate Auditor stipulated in the Companies Act

Important Notice

・This report was prepared for the purpose of providing information regarding NAM's stewardship activities, and should not be construed as a solicitation for any investment activities including purchase and sale of specific investment trusts. Accordingly, the amounts of trust fees and/or other fees by category as well as their aggregate amounts may not be presented.
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NISSAY
ASSET MANAGEMENT

Nissay Asset Management Corporation

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