Nissay Asset Management Corporation

Sustainability Report 2022

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

Business Principles

Our mission as professionals is to provide our customers with the highest added value in each aspect of our asset management services. We build long trusting relationships with customers by continuing to provide the highest added value and ensuring customer satisfaction.

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 make continuous and untiring efforts 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 identifying market inefficiencies, we will capture the gap between the fair value and the 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.

At Nissay Asset Management (NAM), we uphold the corporate slogan "A Good Investment for the Future" to promote sustainability management and through our business we hope to contribute to resolving social issues and achieving a sustainable society. Our slogan "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.

The global environment is rapidly changing. We face many challenges such as declining birthrate and aging population, utilizing next-generation technologies, energy transition and rising geopolitical risk. There is an imminent need for drastic change, both in the way people around the world live their lives, and in corporate activities. Climate change, in particular, represents a pressing issue for the whole world. Delaying our response may not only lead to significant repercussions but may also affect a company's international competitive strength.

Resolving the issue of climate change is a task of the utmost importance, and we are actively participating in international initiatives aimed at achieving resolutions through dialogues with companies. We will continue to leverage our extensive experience and insight as the front runner in ESG investing to contribute to enhancing Japan's presence, and strive ever harder to engage in constructive dialogues with companies on the issue of climate change.

Ever since NAM was founded as Nippon Life Group's asset management company in 1995, we have assumed fiduciary duties as asset management specialists to all the beneficiaries of our investment trusts, the pension funds and their members. At the same time, we also bear the social responsibilities to achieve a sustainable society, enhance corporate value and contribute to the sound development of capital markets, and feel that those responsibilities are becoming heavier.

Setting out the promotion of sustainability management as a central pillar of the Medium-Term Management Plan launched last fiscal year, we not only look to strengthen our ESG investing but also to contribute to achieving "a sustainable society" through our own activities as an ESG investing front-runner. We believe that these will lead to fulfilling our fiduciary duties. By steadily promoting these initiatives, NAM aims to become the world's most trustworthy and reliable asset management company for each of our clients.

Hiroshi Ozeki

President and Chief Executive Officer
Nissay Asset Management Corporation

Nissay Asset Management's Corporate Sustainability

We recognize that the asset management business affects society in various ways and plays an important role in the lives of all people. Nissay Asset Management (NAM) set forth "promotion of sustainability management" for the first time in its Medium-Term Management Plan launched in FY2021 and at the same time established the Sustainability Committee, which has since carried out discussions concerning NAM's policies and direction related to sustainability management. From FY2022, NAM will serve as an aid in achieving a sustainable society through a company-wide effort to promote specific initiatives based on the policies established in FY2021.

Basic Policies on Sustainability Management

- **We will actively engage in respecting human rights and diverse values, addressing global environmental issues and other initiatives to contribute to achieving a sustainable society.**
- **We will engage in business leading to the sustainable growth of society.**
- **Working and prospering together with all our stakeholders, we will continuously strive to create a bright future for all.**
- **We will engage in activities to cultivate employees' consciousness, educate them and raise their awareness of promoting sustainability.**

Slogan toward promoting sustainability: "A Good Investment for the Future"

NAM has adopted the corporate slogan "A Good Investment for the Future," which simply expresses our aim for all officers and employees to work together to promote sustainability management.

"Good Investment" encompasses several meanings: "investment that is good for the environment and society," "investment with good performance," and "investment that is good for employees." It expresses NAM's commitment to realize "good investment" that goes beyond the mere pursuit of economic returns. The phrase "for the Future" also embraces a number of meanings: "the future of our clients," "the future of the earth and the next generation," and "our own growth." NAM will take part in realizing a sustainable society with a strong consciousness of its responsibility for the future.

Good investment:

- Investment that is good for the **environment and society**
- Investment with good **performance**
- Investment that is good for **employees**

Future:

- **The future of our clients**
- **The future of the earth and the next generation**
- **NAM's own growth**

A GOOD INVESTMENT FOR THE FUTURE

Framework for Promoting Sustainability Management

Establishment of the Sustainability Management Office

The Sustainability Management Office was newly established within the Corporate Planning Department in FY2022, with the aim of leading NAM's steady promotion of sustainability management. The Head of the Sustainability Management Office performs a central role in implementing specific initiatives, and the Office also calls on each department in NAM to establish its own **sustainability promotion program**, creating a framework to pursue greater sustainability in each department's area of responsibility.

Launch of the Sustainability Management Promotion Project Team

We believe it is important to promote sustainability management, not only through the efforts of the specific sections responsible but also by fostering a sense of participation among each of our employees. With this aim, we launched **the Sustainability Management Promotion Project Team** in FY2022, composed of a wide range of members of differing ages, jobs and genders to foster a corporate culture of promoting discussions on sustainability management across all of NAM. Eight teams were formed within the Project Team to discuss various ideas in each area.

Structure of the Sustainability Management Promotion Project Team

Project Leader

- **Enhancing employee engagement**: Promoting various measures such as manager-level training and revitalizing internal communications
- **Financial education and volunteer work**: Contributing to financial education in Japan and bolstering social contribution activities such as volunteer work by employees
- **Enhancing ESG investing**: Further enhancing ESG investing at NAM, new product development, etc.
- **Promoting active participation of employees**: Creating a workplace where our various employees can play an active part, through the promotion of diversity and improvement in work-life balance, etc.
- **Reducing CO_2 emissions and waste**: Promoting initiatives to reduce environmental burden through the reduction of paper usage and office waste and the promotion of recycling, etc.
- **Sustainability disclosure**: Enhancing the disclosure of NAM's sustainability initiatives through the corporate website, disclosure materials for clients, etc.
- **Reducing portfolio CO_2**: Implementing initiatives aimed at achieving "net zero greenhouse gas emissions" by 2050
- **Enhancing governance**: Consideration of measures to further strengthen the governance structure and risk management to underpin the basis of sustainability management

Material Issues for Nissay Asset Management

In promoting sustainability management, we have identified the following material issues in achieving the global Social Development Goals (SDGs) after holding extensive discussions on "what should NAM's priority be" while taking a dual perspective on the various issues faced by society of "what role does society expect us to play" and "what initiatives will lead to our company's growth". We will be united in our efforts to contribute to the realization of a sustainable society.

Process for identifying material sustainability issues

STEP 1 Identifying social issues

- Identify social issues to be considered with reference to international frameworks such as the GRI standards, ISO 26000, the SDGs, etc.
- Compile a list based on the opinions gathered from our employees in each layer, shareholders and external experts

STEP 2 Mapping social issues

- Create a matrix of social issues identified in Step 1 on the two axes of "importance to social contribution" and "importance to NAM (corporate value)."

STEP 3 Identifying material issues

- Summarize the issues for NAM to address based on the matrix of social issues
- Indicate the SDGs associated with the key issues identified

Material issues for Nissay Asset Management

Material Issue 1 Providing widely-accessible asset management services

Vision

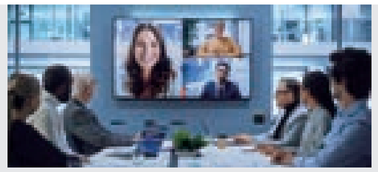
We will contribute to the asset formation of each and every one in our society by evolving asset management into a familiar financial service for all, just like bank deposits and insurance. To this end, we will thoroughly implement customer-oriented business conduct and aim to be a company that can grow together with all of our clients.

Material Issue 2 Advancing and enhancing ESG investing

Vision

As a front runner in ESG investing, we will constantly study the latest ESG evaluation methods and strive to continuously enhance our ESG investing, to live up to our positioning in this field. At the same time, we will make untiring efforts to further enhance our ESG investing, actively develop new products and offer these to our customers by practicing ESG investing aimed at achieving both investment returns and realization of a sustainable society.

Material Issue 3 Building an investment chain in pursuit of achieving a sustainable society



Vision

Within the investment chains, we have a role in increasing wealth across all of society by appropriately allocating social resources. We aim to expand asset management services that would generate a virtuous cycle for society by linking the valuable funds invested by our clients to the sustainable growth of investee companies and society.

Material Issue 4 Realizing business with a low environmental burden

Vision

Recognizing that various environmental issues including climate change are serious problems that threaten the survival of the human race, we will review our business processes and work to enhance our workplace environment to minimize the environmental burden of our business operations.

Material Issue 5 Actively promoting social contribution activities by employees

Vision

Based on our recognition that business is only possible through the formation of a sound social, we will encourage our employees to actively contribute to and give back to society and continue to be a company that grows together with society.

Material Issue 6 Achieving a society where everyone can play an active role

Vision

For an asset management company, "human capital" is the primary source of competitive strength. Amid increasingly intense competition, creating an environment where a wide range of diverse employees of different genders, nationalities, ages, and backgrounds can play an active role is the "key" to coming out on top. We aim to create a workplace and foster a workplace culture that allow employees with various individualities and circumstances to make maximum use of their unique abilities.

Key Issue 7 Enhancing governance and risk management

Vision

Corporate governance is of the utmost importance for sound corporate management and we aim to continually improve it. We will also strive to enhance employees' awareness of social norms such as thorough compliance with laws and regulations and building trusting relationships with society and our clients.

Initiatives from FY2021

Nissay Asset Management's sustainability management at a glance in numbers

We have established quantitative indicators associated with each material issue. The Sustainability Committee regularly monitors performance against these indicators and discusses countermeasures aimed at more effective sustainability management.

Indicator	Related material issue(s)	Initiative (target)	Results		
			FY2019	FY2020	FY2021
AUM of publicly offered investment trusts	①	Inflows from a broad range of customers	JPY 1,856.1 billion	JPY 2,451.9 billion	JPY 2,742.0 billion
AUM of defined contribution pension plans	①	Inflows from a broad range of customers	JPY 363.7 billion	JPY 549.4 billion	JPY 659.8 billion
AUM of ESG funds	②、③	Promote the popularity of ESG/SDGs funds	JPY 349.6 billion	JPY 655.3 billion	JPY 819.5 billion
Carbon footprint of portfolios	④	Target: 50% reduction by FY2030 *Compared to FY2019	91.6 t-CO_2e/$ mli.	75.7 t-CO_2e/$ mli.	—(Note)
Amount of trash generated per employee	④	Target: 50% reduction by FY2030 *Compared to FY2019	51.0kg	26.1kg	22.1kg
Amount of copy paper used per employee	④	Target: 50% reduction by FY2030 *Compared to FY2019	15,161 sheets	4,691 sheets	3,987 sheets
CO_2 emissions	④	Target: 50% reduction by FY2030 *Compared to FY2019	3,164t-CO_2e	1,991t-CO_2e	1,409t-CO_2e
Proportion of female managers	⑥	Target: 20% or more by FY2030	5.7%	6.2%	7.4%
Number of days of paid leave, etc.	⑥	Target: 17 days per year per employee	16.8 days	13.7 days	14.6 days
Proportion of eligible male employees taking childcare leave	⑥	Target: 100% by FY2025	28.6%	36.4%	53.3%
ROE	⑦	Management with an awareness of capital efficiency	13.6%	16.5%	14.9%

(Note) Carbon footprint of portfolios has not been calculated for FY2021 as sufficient data on the greenhouse gas emissions of our investees was not available at the time of preparation of this report. See P46 for details of the carbon footprint of portfolios.

ESG seminars

At NAM, we believe that we can contribute to achieving the SDGs by promoting ESG investing throughout society from our position as a vital part of investment chains. NAM holds regular ESG seminars for investors such as corporate pension funds and financial institutions, providing opportunities for them to learn about the structure and significance of ESG investing. Four such seminars were held in FY2021, with a total of approximately 700 investors participating.

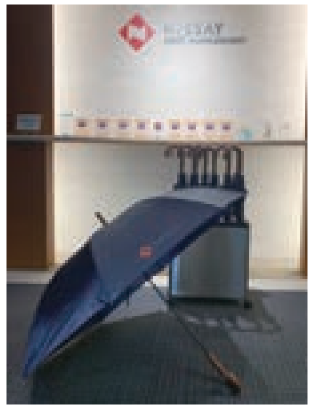
Initiatives to mitigate environmental impact

At NAM, we are progressively revising our use of plastic products as an initiative aimed at mitigating environmental impact. We now offer drinks to guests at our offices in aluminum cans rather than PET bottles, and we have begun to use magnets made from the wood from tree thinning and document protectors made from paper as promotional items. We are also endeavoring to reduce waste by installing water servers in our offices.

We also produce spare umbrellas imprinted with NAM's logo as an initiative to reduce the purchase of umbrellas, which are said to be difficult to recycle. Our efforts to go paperless have eliminated the need for binders to organize documents, and we have donated some 1,000 paper binders (60 cardboard boxes worth) to an external organization (Second Life).

We will continue to contribute to mitigating environmental impact through initiatives such as these.

Paper document protectors (top) and magnets made from wood from tree thinning (bottom)



Umbrellas imprinted with the NAM logo

Decarbonization initiatives

《Decarbonization goals》

By FY2030, we aim to reduce the net CO_2 emission from our business activities by 50% compared to FY2019. Moreover, we will support the reduction of environmental burden by donating to projects implementing CO_2 emission reductions.

《Trend in net CO_2 emissions》

(t-CO_2e)		2013	2017	2018	2019	2020	2021
Companywide emissions		2,114	2,992	3,540	3,164	1,991	1,409
	Scope 1	19	8	5	6	6	5
	Scope 2	616	622	713	572	653	79
	Scope 3*	1,480	2,362	2,821	2,586	1,332	1,325

* Scope 3 is calculated using category 1, 3, 5, 6, 7, 8, and 9 emissions.
CO_2 emissions from our investment portfolio (category 15) are shown on P50.

《Overview of scopes and activities measured for FY2021》

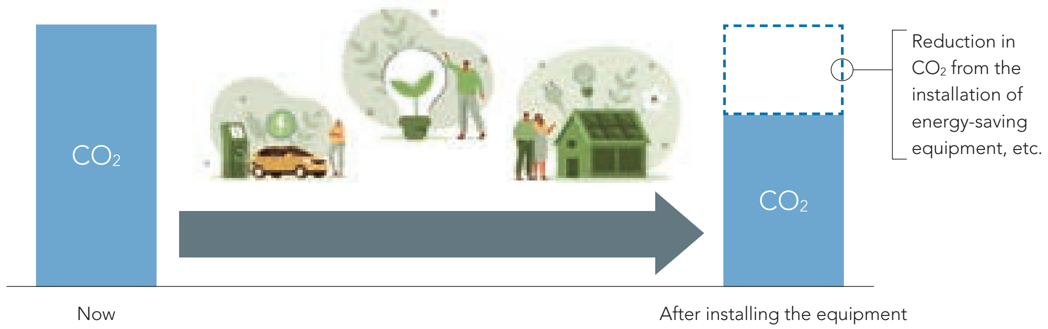
Scope		Overview	Activities measured	Emissions (t-CO_2e)
Scope 1		Direct emissions from our use of fuel, etc.	Fuel for corporate vehicles	5
Scope 2		Indirect emissions from using purchased electricity, etc.	Electricity used by us	79
Scope 3		Indirect emissions from other sources in our supply chain	—	—
	Category 1	Goods and services we purchase	Amount of paper used	1,134
	Category 6	Emissions associated with employee business travel	Business travel	95
	Category 7	Emissions associated with employee commuting	Commuting	51
	Category 8	Emissions associated with employees working from home, etc.	Working from home	28
	Others – total	Disposal of general waste, etc.	—	17

《Support for projects implementing CO_2 emission reductions》

We purchase J-Credits* to effectively fund energy-saving projects, etc. with the aim of supporting the activities of companies and individuals to reduce CO_2 emissions.

* Credits issued for government-certified initiatives such as the reduction of CO_2 emissions through the installation of energy-saving equipment and the use of renewable energy as well as absorption of CO_2, etc. through appropriate forest management

Change in CO_2 emissions through J-Credits rooted in energy saving



Nissay Asset Management's promotion of diversity

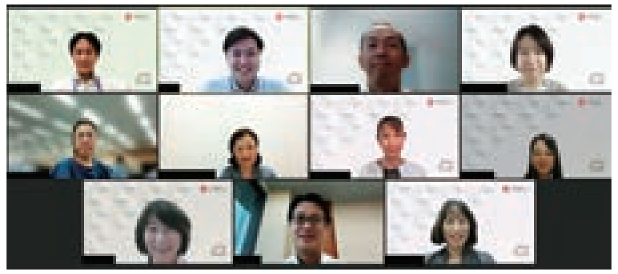
Establishing a mentoring program for female managers

We appoint mentors for female managers from among NAM's directors and officers to facilitate learning and emotional management through communication with mentors. We expect that this will assist NAM's female managers to perform at an even higher level.

We have set a target of raising the proportion of female managers to 20% by FY2030 (the proportion was 7.4% in FY 2021), and we are actively working on initiatives to develop female managers.

Diversity Promotion Meeting

We have been holding Diversity Promotion Meeting regularly since FY2021. The participants, primarily female managers, discuss the theme of "how diversity promotion should be addressed" and consider how to implement better measures in the future.



Screenshot of Diversity Promotion Meeting

Supporting the production of the "The Game of Life - Beyond SDGs" for SDGs education

NAM endorses the initiative to expand SDGs education through the "The Game of Life - Beyond SDGs"* jointly produced by the Kanazawa Institute of Technology and TOMY COMPANY, LTD., and has made donation to the Kanazawa Institute of Technology to support the game's production.

This game is the result of development combining the Kanazawa Institute of Technology's expert knowledge and initiatives related to the SDGs with TOMY COMPANY's know-how from producing the long-selling "The Game of Life." At NAM, we utilized our experience in ESG investing with consideration for the environment, society and governance, garnered over more than a decade since 2008, to provide support including advice on the content of the game. We hope that this game will be used in educational and other settings to contribute to deepening children's understanding of the SDGs.

* "The Game of Life" is a board game manufactured and sold by TOMY COMPANY, LTD. where players spin a wheel and move the number of spaces indicated, experiencing various life events such as employment and marriage, aiming to become a tycoon.

Receiving a certificate of merit from the Kanazawa Institute of Technology

Donated lectures in "The SDGs and Finance, Economics, and Society" at the Faculty of Economics, Kyoto University

We have donated lectures on "The SDGs and Finance, Economics, and Society" to be taught by NAM's employees to undergraduate students at the Faculty of Economics, Kyoto University in the second half of the 2022 academic year (each Tuesday; 15 lectures in total).
The lectures will feature not only our employees but also various guest speakers active in society in relation to the SDGs. The lectures are designed to encourage the students to share a perception of the SDGs not merely as an ideal but also as a vision for building better relationships in the real world, in fields such as finance, economics, and society.
Lectures will present the SDGs and ESG investing perspectives developed at NAM in the global financial industry, as well as the practical initiatives by various companies. We plan to structure the classes to emphasize communication, including two-way discussions based on each speaker's lecture.

Establishing a LinkedIn page

We have established the NAM official page on the business social media site (interchange site) LinkedIn. Up until now, we have relied on forums such as our official website to disseminate details of our initiatives. We are engaged in companywide sustainability initiatives under the slogan "A Good Investment for the Future," based on our belief that it is NAM's social duty as an investor to contribute to realizing a sustainable and better world. We will strengthen our efforts to inform more people about these initiatives through our official website, and now through LinkedIn as well.

PRI in Person & Online 2022 Conference

NAM will be acknowledged as Product Sponsor at the PRI in Person & Online 2022 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 governance (ESG) issues should be reflected in investment decision-making. NAM signed the PRI in 2006.
The PRI in Person & Online 2022 Conference will be held at a physical venue in Barcelona and streamed online between November 30 and December 2, 2022, and will bring together asset managers, asset owners and other global ESG investing leaders to discuss material ESG issues such as climate change, human rights, and governance. It is expected that over 3,500 people from around the world will attend the conference in person or online and it promises to be an ideal opportunity to ascertain the very latest trends in ESG.
Through our support for events such as this, NAM will continue to fulfill its social responsibility as an institutional investor and strive tirelessly to further enhance its ESG investing.

PRI in Person & Online

Scan here for details

Comment by the Head of the Sustainability Management Office

FY2021 was the inaugural year of our sustainability management framework. FY2022 is an important year for enhancing this framework. The newly-established Sustainability Management Office is responsible for promoting this initiative.
Because the initiative spans several different areas, we have launched the Sustainability Management Promotion Project Team described on P06 to promote them in eight smaller teams. A total of approximately 70 employees participate in the initiative with many employees from different divisions participating in each team.
Usually, the team leader considers issues together with team members, and all team leaders gather for a meeting once each month to share updates.
Issues for consideration by each team are sometimes added or amended as a result of questions or opinions from other teams. I think it is important to pursue this initiative through trial and error to encourage an atmosphere where participants can freely express their ideas, and because there may be more than one answer anyway. I hope to keep the good parts of what we've developed as we move on to implementation.
At the Sustainability Committee, we also receive extremely valuable opinions and advice from experts within NAM. This is the first time I've been responsible for promoting sustainability management, and I don't have a lot of knowledge or experience in the field, but many people including the member of the project team have given me assistance.
The Sustainability Management Office has four members (see the photograph above). We represent different positions, ages, and genders, and of course we have all experienced different functions at NAM until now. I have been impressed by what a range of different approaches and ideas there are among us. If that's the case for just four members, there must be a great range of different approaches and ideas across the whole of NAM. It's made me realize just how important this initiative is to become a sustainable company.
This sustainability initiative cannot be developed by one person alone. Just like the spirit of the slogan, I think that if each of us thinks about what sustainability means for clients, the future of the earth and the next generation, and for NAM, and does our best to implement this from our own position, we will be able to do something great. I will strive with those around me to take on various challenges, so that together we can do something great.

Head of the Sustainability Management Office (Photograph: second from the right) Ayami Matsufuji

Special Interview:

A Conversation with Ms. Hiroko Kuniya, an Outside Expert

Special interview between President and Chief Executive Officer Hiroshi Ozeki and former NHK newscaster Hiroko Kuniya. The two discussed the positioning of Japanese companies on the global stage and the challenges they must face, while delving deeper into NAM's concept of sustainability management and ESG investing.

Important points for companies when promoting sustainability

Kuniya: President Ozeki, I'm sure that you have many opportunities to talk with corporate managers and investors in Japan and overseas as the President of Nissay Asset Management. What kind of impact do you think that changing global trends are having on corporate activities?

Ozeki: I think the trends are changing right now, with the emergence of geopolitical risks such as the conflict between the US and China as well as the Russia/Ukraine situation. We are seeing an increasing tendency to trade with others who share the same value perceptions, even if this goes against economic rationality. For supply chains, too, it has become necessary to consider different perspectives from before.

Kuniya: The bonds between partners who share the same values strengthen in a more complex society. With soaring energy prices and strong inflationary pressure, some have expressed anxiety that initiatives such as climate change countermeasures will be delayed. How do you perceive this issue, President Ozeki?

Ozeki: Of the senior managers I've talked to in Europe and the US, most think that the recent emergence of geopolitical risks actually means that now is the time to accelerate initiatives to enhance sustainability and boost renewable energy to reduce their dependence. Japan is a resource-poor country, and I think it's vital to establish an orientation towards the effective use of renewable energy in the medium and long term.

Kuniya: Nissay Asset Management has adopted the sustainability management slogan "A Good Investment for the Future." What aspects do you take care of in order to disseminate this concept among employees?

Ozeki: I aim to ensure that a consciousness of the concept and spirit embodied in this slogan is embedded in the minds of all our officers and employees, by setting up opportunities to explain it repeatedly such as at management issue meetings. Every time they encounter a situation where they are not sure what to do, I want them to ask themselves which course of action would be "A Good Investment for the Future." We have also created a logo from ideas submitted by all our officers and employees, to increase their opportunities to come in contact with the slogan. We use it everywhere from meeting materials to name cards, ensuring our officers and employees see it in their everyday work.

Financial institutions are being called upon to assume a bigger role in addressing climate change. What action are you taking to guide investees towards zero emissions?

Ozeki: I think that financial institutions do play a part in aligning social trends through the way they respond to funding needs. This is certainly the case in Europe and the US in terms of ESG. Of course, financial institutions in Europe and the US are not charities, and I get the impression that they are expanding into full-scale ESG promotion because they see it as a business opportunity. By observing these developments, what Japan needs to do comes in sight. I look forward to seeing the Japanese government's future initiatives as a national strategy to promote industry in line with megatrends such as renewable energy and carbon neutral, and to raise Japan's international presence by creating virtuous cycles that extend to private-sector companies as well.

Kuniya: I heard from an official in charge of sustainability in the EU that there are increasing cases where the companies themselves demand regulation. In other words, they need predictability to make medium- and long-term investments, and they want various laws and regulations to secure this predictability.

Ozeki: Well, I think that, for financial institutions, energy policy and carbon-neutral initiatives tend to be extremely technical and infrastructure-focused. In that sense there is a difficulty of predictability, however, I have a view that supporting Japan's elemental technologies through financing is important.

Kuniya: You have set a target of reducing carbon footprint of investment portfolios, one of Nissay Asset Management's KPIs aimed at promoting sustainability management, 50% by 2030 (compared to FY2019). How are you going about achieving this target, and what initiatives will be needed to reach the further goal of zero emissions from investees?

Ozeki: If it was just a case of achieving the target of a 50% reduction, we could do it easily by changing our portfolio. For example, around 2% of the companies in our portfolio account for over 70% of the GHG emissions. All we would need to do is sell our holdings in these companies, and our carbon footprint could be reduced by 70%. However, even if we gain carbon-neutral status this way, carbon neutrality would still be out of reach for the whole of Japan and the whole world, making our achievement not meaningful. For the whole of Japan and the whole world to achieve carbon neutrality, it is essential for companies with high GHG emissions to reduce their emissions. To this end, we need to engage firmly with companies that have high GHG emissions, provide transition finance to dispose of the equipment and create the innovations necessary throughout the process of reducing GHG emissions, and make Impact investing aimed at resolving environmental and social issues.

Disclosure by investees is crucial for ESG evaluation
Human capital and natural capital are also attracting attention

Kuniya: I feel that information disclosure from an ESG perspective is becoming increasingly important for the evaluation of investees. At the same time, however, the disclosure of information is also becoming more complicated. Recently, we seem to be shifting to a phase where the disclosure of natural capital and human capital are considered particularly important. What perspectives does Nissay Asset Management place importance on in terms of ESG evaluation?
Ozeki: Our approach to ESG evaluation is aimed, in part, at increasing investment returns. We don't rate a company's ESG highly simply because it is taking action that is positive for the environment. The companies we rate highly are those where initiatives contributing to ESG are linked to enhancing corporate value. More specifically, they are companies where initiatives contributing to ESG match the business model and business structure, and where a cycle has been established to increase revenue and corporate value through the continuing implementation of these initiatives. The same, essentially, applies to human capital and natural capital. We use the unity of employees and management as one measure to evaluate the S in ESG. Based on our experience and track record, the companies that score highly on this measure perform much better than the companies that don't. The same perspective is applicable to governance. Obviously, the unity of employees and management, and human capital, are important factors. Human capital is intangible, but we would like to actively invest in companies that position human capital as a business strategy and invest resources in it.
Kuniya: I think the disclosure and evaluation of natural capital is also a difficult and complex area.
Ozeki: The impact on the ecosystem is a common topic, but it's difficult to present this in terms of information disclosure. As time goes on, however, I'm sure that model cases will emerge and companies will get better at disclosing this information. Sustainability management is quite a hot topic now, but it was not so back in 2015, when the SDGs first appeared. The manifestation of climate change, global warming, and the extreme weather phenomena they cause has made people newly aware of the importance of sustainability. One would argue that maintaining biodiversity is just a matter for some experts, and has nothing to do with corporate managers. However, biodiversity is the very first casualty of climate change and other changes in the environment. In a sense, biodiversity is a harbinger or leading indicator of these changes. In other words, the loss of biodiversity is an important sign that sustainability may be threatened, and I think we need to pay attention to it.

Are Japanese companies lagging behind in their disclosure in ESG investing?

Kuniya: ESG investing and ESG management have become familiar terms, but I get the impression that, overall, Japanese companies are not doing a very good job at disclosing information. How do you view the current state of information disclosure by Japanese companies? Also, there are many public and corporate pension funds here that haven't signed the PRI, and I feel that the movement towards ESG investing is still some way behind that in Europe and the US. How do you see the trend among pension funds?

Ozeki: First of all, regarding disclosure, the reality is that while some companies are extremely advanced in this area, others are lagging behind. I think that, in disclosure, balance is crucial. In other words, more detailed disclosure is not always best. Rather, what is important is to clearly disclose the necessary information. Companies have many different stakeholders. We are investors, so it is absolutely vital for us that they disclose matters that will affect society, including in negative ways. I would like companies to disclose necessary items of information with reference to the links between these items and corporate strategy. Regarding the activeness of pension funds and similar entities toward initiatives such as the PRI, Mr. Takeshi Kimura, an Executive Officer at Nippon Life Insurance, also serving as a Director on the PRI Board, is disseminating information to various sectors and encourage them to take action. I think that this is because, as a Director on the PRI Board, he is concerned about the situation in Japan. In Europe, it has been generally recognized for some time that fiduciary duty (FD), ESG investing, and consideration for the environment are mutually complementary. Investment return is crucial. There is also a clear assertion that companies must consider the environment, and considering the environment is a form of FD. The US has ERISA, where diversifying investments and thoroughly fulfilling FD are required, as well as generating financial returns. However, many people in the US and Japan are still not sure whether considering factors apart from financial returns actually conforms FD, and whether it is actually in the interests of beneficiaries. Sometimes, that is the minority standpoint. In the US, it can even lead to civil action. In Japan, in addition to a shortage of staff, many people feel that taking these into consideration would be a burden, given the lack of experts. Moreover, it may also be the case that they don't want to be held accountable if the investment fails.
Corporate pension fund managers in Europe actually survey beneficiaries to confirm what kind of intention they want the managers to put into investment. I've even heard that this has been put into law in the United Kingdom. It seems that the managers adopt investment policies and methods based on this intention, so they can be sure that they are investing in line with the expectations of beneficiaries. I am, however, a little uncertain about whether the same system would work in Japan. A belief that consideration for the environment is desirable, even at the cost of some investment returns, has become widespread in Europe. But I am doubtful about whether we can expect similar response when

practicing the same in Japan. Statistics also indicate that the proportion of people in Japan who want asset managers to consider the environment tends to be low.
Kuniya: Perhaps that's linked to the fact that many people in Japan think their quality of life will decline if climate change countermeasures are implemented. In Europe, the US, and other countries, most people tend to reply that their quality of life will actually improve due to environmental measures. Japan is generally said to have a strong sense of public spirit, but the results of public opinion surveys on environmental measures do seem to cast doubt on that perception. Rather, they seem to indicate a short-sighted attitude, focused on the pursuit of short-term gain and convenience.

The moves towards encouraging corporate reform through proxy voting gain traction in Japan

Kuniya: More and more Japanese companies are motivated to engaging in sustainability management in response to demands for action and disclosure on issues such as climate change, human rights, and gender. At the same time, however, not a few companies have little understanding of why they need to engage in sustainability management, and still have an over-optimistic perception of the situation. I think that financial institutions have the ability to encourage corporate reform and raise awareness of sustainability management through proxy voting. What are your views on this point, and how do you plan to engage in these issues in the future?
Ozeki: Proxy voting is crucial, but it's just one part of the dialogue and engagement with investees needed to bring about corporate reform. As investors, I believe that it's important at a start to promote reform through continuing dialogue. First, we would like to convey to investees the knowledge and information that we possess concerning sustainability management and ESG investing through dialogue and engagement, and try to convince companies of their significance. Then, resorting to proxy voting after certain grace period, we hope to effectively encourage investees to enhance corporate value.
Kuniya: There seems to be a clear message in your policy on proxy voting, particularly regarding the diversity of the board of directors.
Ozeki: Yes, that's right. Until now, NAM generally voted against any increase in the number of internal directors at our investee companies. Since June this year, however, we vote in favor of increasing internal directors by a maximum of one female director, in principle. Moreover, as we have already announced, for investees listed on the Prime Market and included in the TOPIX 100 index, we will apply the standard of voting against the election of a representative director unless there is a female on the board of directors. This standard will be applied from June next year, to allow our investees some time to prepare.

Views on ESG are often reported on the news, but how do you perceive the current situation?

Kuniya: Recently, we hear many allegations of "ESG greenwashing." How do you perceive this situation?
Ozeki: The number-one reason why ESG greenwashing has become an issue is the lack of clarity surrounding the concept of ESG investing. For example, the very definition of ESG investing established by global ESG investing AUM aggregation agencies such as the GSIA and JSIF is itself still broad, and different people interpret ESG investing quite differently. I think it's likely that some investors have just started ESG investing following the ESG trend in recent years, and lack sufficient know-how in this field. On the other hand, there are investors like NAM, which has incorporated ESG evaluation into the investment process for over a decade, developing its ESG investing through repeated trial and error. There is certainly a wide divergence in activities around ESG investing between asset management companies. Because the concept of ESG investing is ambiguous and there are no clear standards, I think it is indeed necessary that each asset management company must thoroughly disclose its ESG investing approach and process to customers with reference to the disclosure standards such as the SFDR in Europe and the SEC rules in the US.

What is the aim of NAM's active involvement in global initiatives?

Kuniya: NAM is a member of several global initiatives such as Climate Action 100+ and the Net Zero Asset Managers initiative. What are your views on the purpose and significance of this involvement?
Ozeki: There are three main reasons why we are involved. First, to find out the latest information and trends. I think we can learn a lot from finding out about each country's current interests and efforts. Second, to thoroughly communicate with the countries participating in the global initiative. While it is essential that all countries fall into step to engage in ESG and the SDGs, there are some circumstances unique to Japan, which the other countries in the initiative don't share. By making proposals and recommendations about what approaches would be more effective in Japan, based on these unique circumstances, we think we can benefit both Japan and other countries. Third, we are involved to enhance Japan's presence. Countries around the globe are coming together to engage in these initiatives. As a Japanese company, I hope to show the world that there are companies in Japan firmly engaged in ESG and the SDGs, by sending board members, steering committee members and the like to participate and contribute to these global initiatives. And I believe it is important for NAM to be a point of contact for consultation when something happens.

Part II

ESG Investing

Through ESG investing, we aim to co-create value for our customers and investee companies

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Message from the CIO

Through the tireless pursuit of more advanced ESG investing, we aim to maximize the value we add for our customers and society

Practical ESG investing is "easier said than done"

With the increasingly severity of global environmental issues such as global warming, as well as the emergence of various social issues, there can no longer be any doubt that ESG initiatives by our investee companies are having a greater and greater impact on corporate value. It is becoming increasingly important to consider ESG factors in asset management, from the perspectives of increasing medium- and long-term returns and reducing risk.

In this way, it is easy to generalize about how crucial ESG investing is. However, it is not always so easy to actually put ESG investing into practice to realize added value.

What aspect of the specific ESG initiatives by our investee companies should we focus on, and how should these initiatives be evaluated? What framework and approach should we use to consider ESG factors in terms of financial analysis and investment decision-making, to contribute to increasing medium- and long-term returns and reducing risk? Moreover, what agenda should we set for our dialogue with companies, and how should we engage in discussion with them to bring about meaningful change? —On the frontline of ESG investing, we have to address these questions through trial and error on a daily basis. ESG investing has the potential to generate unique added value, but this cannot be accomplished overnight.

Leveraging practical knowledge gained over more than a decade to strive for even more advanced ESG investing

NAM is truly fortunate to have a practical knowledge of ESG investing acquired over more than a decade. Over these years, numerous employees with a passion for ESG investing have implemented innovation upon innovation. I feel that this accumulated effort is steadily bearing fruit. There is not enough space here to describe all these initiatives, but we hope to present an introduction to as many as possible in this report.

Of course, I do not mean to suggest that NAM's ESG investing has already achieved its final or completed form. In fact, with the dramatic changes occurring in the external environment, we have a huge amount of work ahead of us to increase added value for our customers and society. As CIO, I hope to advance us steadily, step by step, towards even more advanced ESG investing.

Keisuke Kawasaki
Director, Executive Officer
Chief Investment Officer

Highlights

Consideration of ESG Issues

- ✓ Is ESG a passing fad?
- ✓ How do you think about ESG greenwashing?
- ✓ Aren't the returns from ESG unsustainable?
- ✓ What is the future of ESG investing?

For details see P27

Defining an ESG Fund

- ✓ The definition of ESG funds
- ✓ ESG ratings
- ✓ Approach to ESG investing

For details see P29

Climate Change: From an "Environmental" to "Economic" Issue

- ✓ The increasing need for climate change countermeasures in Japan
- ✓ Is the rise in resource prices a warning sign for the shift to cleaner energy?
- ✓ NAM's initiatives for net zero
- ✓ Strengthening transitioning initiatives
- ✓ Addressing the TCFD recommendations

For details see P45

History of Commitment to ESG

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 dialogues 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

ICGN International Corporate Governance Network

2007
- Joined ICGN

2015
- Chief Corporate Governance Officer (CCGO) Iguchi appointed to the Board of Governors of the ICGN

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES / SASB ALLIANCE

- 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)

- August: Awarded highest ranking "A+" in the PRI annual assessment for "Strategy and Governance" for six consecutive years
- October: The PRI Digital Conference was held, with NAM serving as Lead Sponsor
- November: Participated in PCAF Japan coalition

- March: Participated in Net Zero Asset Managers Initiative

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 Investing 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 investing approach by asset class

2020
- Extended our stewardship responsibilities to domestic fixed income investment

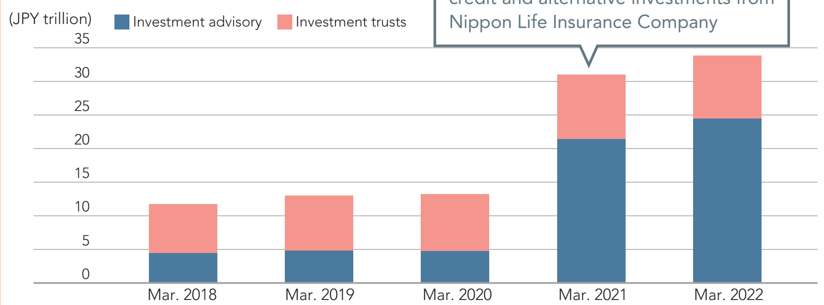
2021
- Reorganized the ESG Investing Promotion Office into the ESG Investing Promotion Department to enhance ESG investing, etc.
- Established the Sustainability Committee

2022
- January: Announced "2030 interim targets" for portfolio greenhouse gas emissions
- March: Established the Sustainability Management Office

FY2021 highlights*1

Approx. 12 years	34	155	Approx. 90%	634
Average number of years of experience of investment managers	Number of full-time analysts and economists	Number of full-time portfolio managers	Coverage ratio for market capitalization of companies subject to ESG evaluation*2	Individual dialogues with senior management*2

Assets under management



*1 Figures are as of March 31, 2022 *2 Figures represent results in the Investment Division for Japanese companies

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
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
IFRS Foundation establishes the International Sustainability Standards Board (ISSB)
Glasgow Financial Alliance for Net Zero (GFANZ) is launched

2022
Tokyo Stock Exchange launches its new market segmentation (Prime Market, Standard Market, and Growth Market)

Consideration of ESG Issues

1 | Is ESG a passing fad?

In recent years, an increasing number of investment trusts assert ESG issues such as the environment and society as their investment themes. This movement has been likened by some to the fad in so-called SRI (socially responsible investment) funds such as ecofunds, which experienced a temporary boom during the 2000s.

Judging from the present trend, however, the current rise in ESG funds is just the beginning. This movement will only strengthen further as time goes on. First, there is a growing tendency for companies to decide on whether to continue business relationships based on counterparties' responses to issues such as climate change and human rights. ESG factors are also having an increasingly significant impact on corporate value, including stricter standards for evaluating governance in proxy voting.

Next, various rules and regulations have been established globally concerning ESG, and these will be enforced going forward. In Europe and the US, corporate disclosure rules have been established for non-financial information, mainly related to ESG. Formal rules are also being drafted for ESG funds operated by asset management companies. The membership of ESG-related initiatives is also on a totally different scale to back in the 2000s.

In this way, ESG has become an integral part of the activities of companies and asset management companies, and we are on the verge of ESG genuinely taking root.

The ESG environment: differences between the mid-2000s, today and the future (illustration)

	<Mid-2000s>	<Today and the future>
Corporate behavior	Companies worked autonomously to strengthen CSR initiatives	Movement towards restricting relationships with trading partners based on their engagement with issues such as climate change and human rights (relationships may not be continued if no action is taken)
Proxy voting	Progressive establishment of proxy voting standards for asset management companies	Stricter proxy voting standards for matters such as the structure of directorship and the distribution of surplus
Regulations and other rules	No obligation to disclose non-financial information or information on ESG products operated by asset management companies	Global introduction of taxonomy regulation, non-financial information disclosure standards for companies, and disclosure standards for ESG products operated by asset management companies
Initiatives	The PRI was launched in 2006, with 63 corporate signatories by the end of FY2006 No initiatives related to net zero	5,020 corporate signatories to the PRI (as of July 3, 2022) 273 corporate members of the NZAMI, with total assets under management of USD 61.3 trillion*

Compiled by Nissay Asset Management

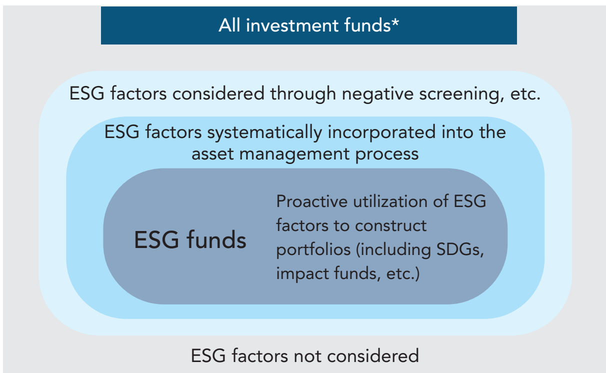
* NZAMI: Net Zero Asset Managers Initiative. Figure is as of May 2022, and is equivalent to over 60% of total assets under management globally

2 | How do you think about ESG greenwashing?

There is growing criticism of the practice of greenwashing or ESG greenwashing, where companies espouse green or ESG values while actually doing something quite different. Behind this practice lies an ambiguity in the way that "green" and "ESG" are defined. Value investing is investing in companies with cheap valuations, and growth investing is investing in high-growth companies: both these concepts are clearly defined. When it comes to ESG investing, however, there is a broad range of approaches to questions such as whether to evaluate ESG in terms of social contribution, whether to aim for risk reduction, or whether to pursue returns.

In this context, at NAM, we believe it is important to define what we mean by ESG, indicate how we will use this concept, and show that we are actually managing assets as we indicated, to fulfill our duty of accountability. We intend to continue to provide ESG investing services while taking into account debates on ESG in Japan, Europe, the United States, and elsewhere in order to fulfill accountability to customers.

Approach to ESG funds (explanation presented later in this report)



* Excluding index funds

3 | Aren't the returns from ESG unsustainable?

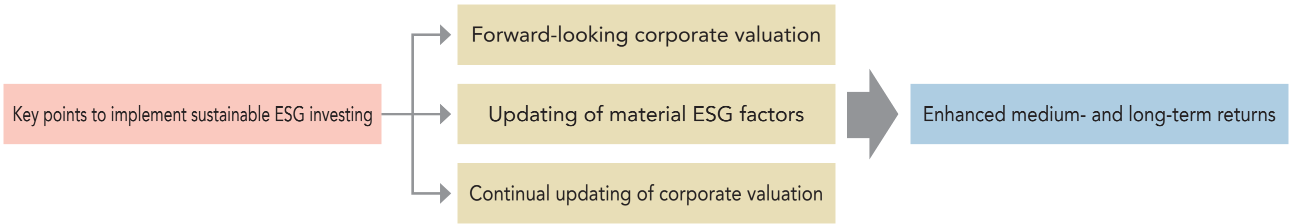
At present, factors such as rising resource prices due to fossil fuel supply concerns associated with Russia's invasion of Ukraine, as well as increasingly restrictive monetary policy around the world, are driving a selloff in the shares of companies that are generally considered outstanding in terms of ESG, and the purchase of shares of companies that are not. This trend has given rise to skepticism regarding ESG investing.

As one of a wide range of different asset management approaches, ESG investing should not be considered a single homogenous unit. However, all shares have prices, and as the share price of any company can go down as well as up, it is only natural that ESG investing should produce inferior returns sometimes, depending on the state of the market.

In this context, we focus on whether a company's ESG initiatives can sustainably increase corporate value in the medium and long term. We constantly ask ourselves this question as we look ahead to the future. NAM's ESG investing decision-making is based on a mature consideration of whether investing now will increase the probability of higher returns in the medium and long term.

We also believe it is important not to adhere to a fixed notion of ESG. If the external environment changes, so will the factors that affect corporate value. Perhaps the implications of the "E" in "ESG" will change if we achieve net zero in 2050. It is possible to interpret environmental, social, and governance factors in terms of the elements of corporate social responsibility (CSR) that are most important at present. In this sense, we regard the constant, forward-looking updating of the components of ESG and corporate evaluation, through the close monitoring of trends and changes in the external environment, as a crucial way to increase sustainable medium- and long-term returns.

Key points for sustainable ESG investing



4 | What is the future of ESG investing?

At NAM, we believe it is vital to improve medium- and long-term returns in order for ESG investing to sustainably win acceptance in the market. If we cannot achieve the returns expected by our customers, we believe it will be difficult to keep their assets under management.

At the same time, it is also important that we make the world a better place through ESG investing. At present, ESG investing mostly refers to investing in companies that are good from the perspective of ESG. It is difficult to bring about a better world on a broad scale, however, by only investing in good companies: it is also necessary to make companies better for tomorrow, even if they are not good today.

As recognition of ESG increases and rules are established for aspects such as disclosure, we see growing opportunities for companies that are not necessarily outstanding to raise their corporate value by recognizing ESG opportunities and risks at a senior management level and transforming themselves accordingly.

The key to sustainable ESG investing for the future may be for asset managers to pursue win-win investing by focusing on these companies and encouraging them to transform through engagement, thus raising corporate value and improving returns.

ESG investing
Potential investees: past and future (illustration)

		Potential targets for ESG investing: past	Potential targets for ESG investing: future
Outstanding companies in terms of ESG		○	○
Companies that may be less than outstanding in terms of ESG	Willingness to change	–	○ Both returns and society
	No action taken	–	–

Nissay Asset Management's Definition of ESG Funds and Approach to ESG Investing

Around the globe, rules are being progressively established concerning the definition of ESG funds. In this section, we will introduce NAM's approach to ESG funds, as well as providing an overview of our ESG ratings and ESG investing.

NAM's definition of ESG funds

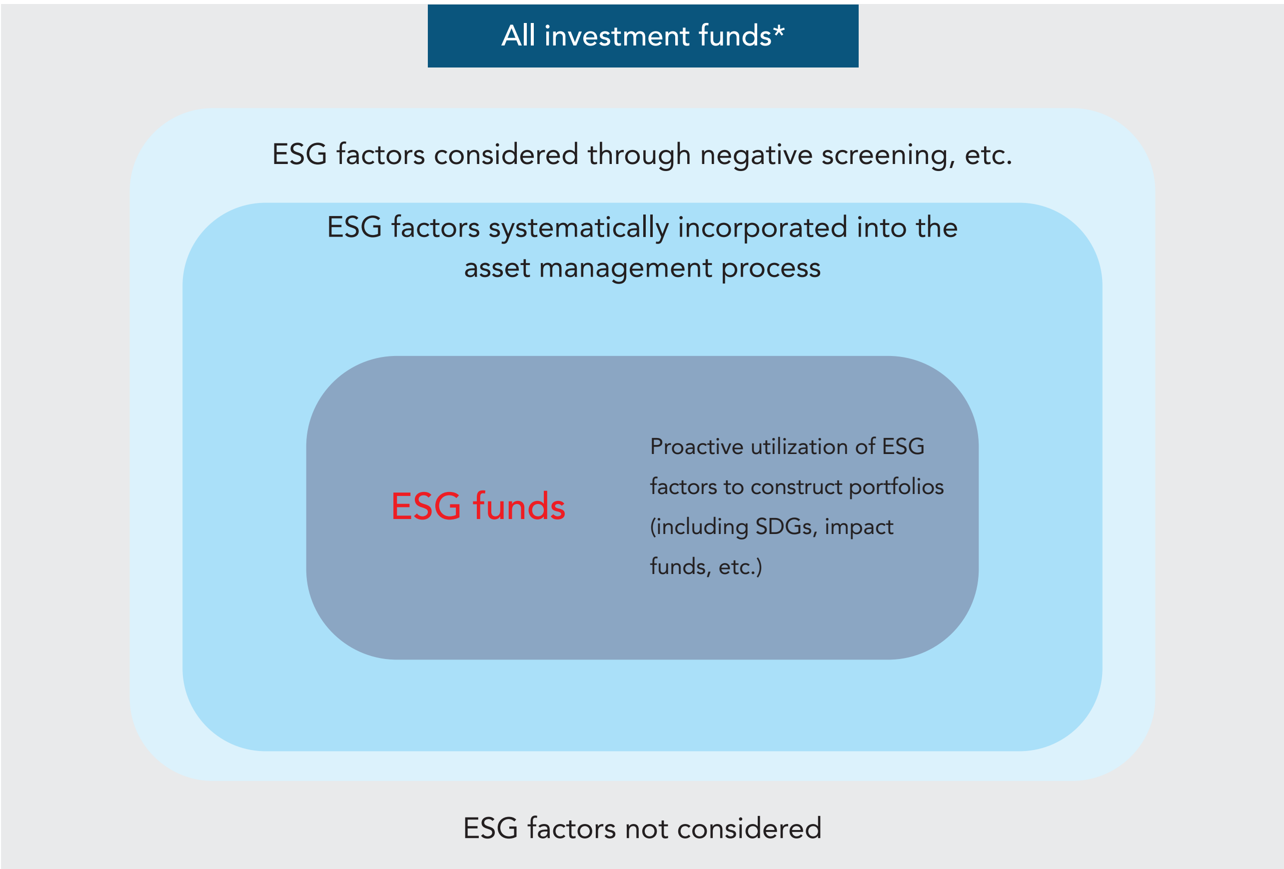
At NAM, we define "ESG funds" as active funds that actively utilize ESG factors to build their portfolios. Active utilization of ESG factors refers to asset management that selects investee companies with relatively high ESG evaluations, or selects investee companies with the potential to generate an impact from the perspective of ESG.

Other classifications include funds where ESG factors are systematically incorporated into the asset management process, those where ESG factors are considered through negative screening, etc., and those where ESG factors are not considered (excluding index funds).

We designate ESG funds that build portfolios of investee companies that are outstanding from the perspective of achieving the SDGs, in particular, as "SDGs funds." We designate ESG funds that attempt to generate an environmental and social impact, and report those impacts, as "impact funds."

Note: The Sustainable Development Goals (SDGs) are international goals for achieving a sustainable and better world by 2030. They were adopted unanimously by all Member States at the United Nations Summit in September 2015.

Approach to ESG funds



* Excluding index funds
We may review our definition, etc. of ESG funds in the future, based on factors such as circumstances and trends related to ESG.

NAM's ESG ratings

NAM's proprietary evaluation items and evaluation standards

We implement ESG evaluation using NAM's proprietary evaluation items and evaluation standards.

For example, for environmental (the E in ESG), we evaluate companies from the perspective of "whether their products and services contribute to the environment, and whether this is linked to corporate value." For social (S), we use measures such as "the unity of employees and management," and for governance (G), we use measures such as "whether governance is effective."

NAM's analysts engage in qualitative assessment partly based on dialogue

This evaluation is carried out as a qualitative assessment by NAM's own analysts through interviews and dialogue with companies, in addition to the analysis of publicly-disclosed corporate information.

For each evaluation item, we evaluate the effect of companies' ESG initiatives related to each item on medium- and long-term corporate value, in terms of a three-level rating scale in principle: "positive", "neutral", and "negative" (where a rating of 1 is the highest and 3 is the lowest).

Where a company is expected to significantly damage corporate value due to an ESG-related initiative, we usually exclude it from our investment universe, and cease to assign it an ESG rating. However, a rating of 4 may be assigned to companies where there are reasons for retaining such companies within the investment universe, such as large market capitalization.

Approach to the weighting of evaluation items

At NAM, we do not assign a fixed weighting to each evaluation item for E, S, and G. The importance of each item for corporate value differs depending on the company's business model and external environment. Our analysts determine the appropriate weighting for each company as part of the analysis process, and reflect these in their evaluation. (For example, a high score in a highly-material evaluation item will lead to a high overall evaluation.)

ESG ratings are assigned to companies using a common global platform and NAM's proprietary evaluation, across all asset classes, whether equities or corporate bonds.

Classes and description of NAM's ESG ratings

Ratings classes	Description
1	The company's ESG initiatives are positive for its corporate value
2	The company's ESG initiatives are neutral for its corporate value
3	The company's ESG initiatives are negative for its corporate value
4	The company's ESG initiatives are significantly negative for its corporate value
Not assigned	Excluded in principle from the investment universe for active investment management, from perspectives such as liquidity and credit risk

Note: The above may not apply to the ESG approach and the method used to assign ESG ratings in the case of externally-managed investments such as those where asset management is entrusted to a third-party asset management company.

NAM's approach to ESG investing

At NAM, we believe that ESG is an element that impacts all of a company's activities. By analyzing a company's initiatives related to ESG, we believe it is possible to understand the company's medium- and long-term sustainability and corporate image. Moreover, companies that engage in outstanding initiatives from the perspective of ESG and can build sustainable relationships with their stakeholders, generally possess a platform for sustainable growth in the medium and long term.

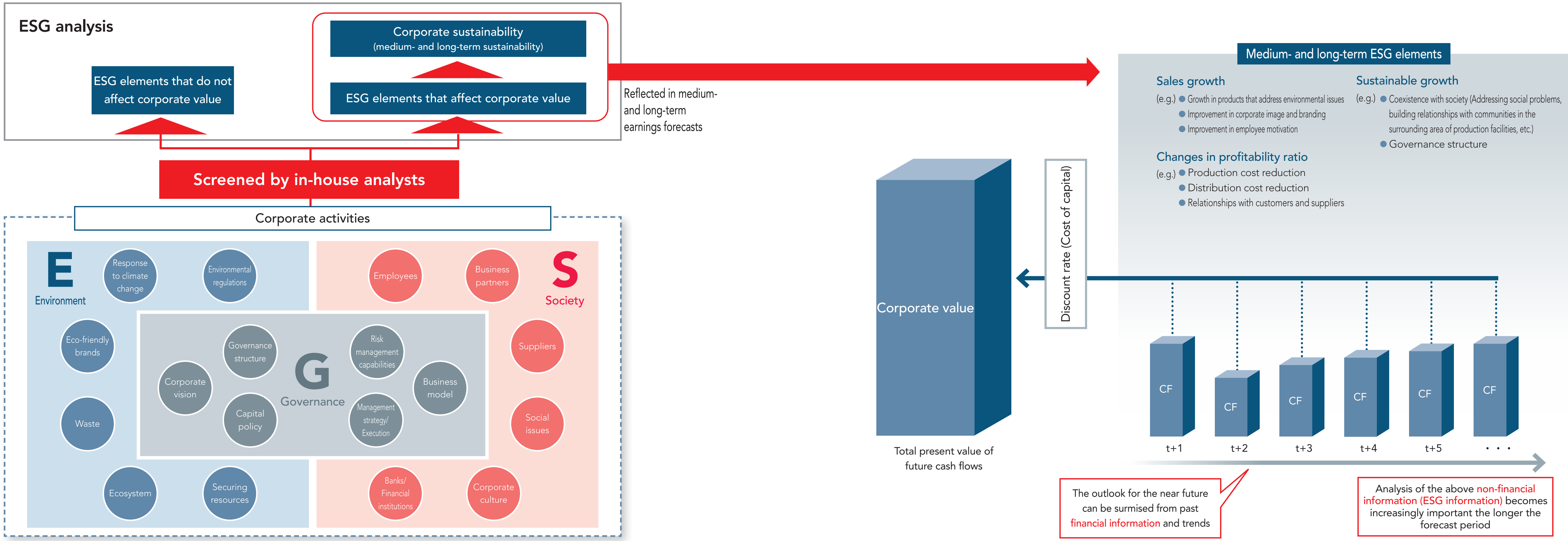
At NAM, our analysts evaluate sustainability (and assign ESG ratings) through the selection of those ESG factors that impact corporate value. We reflect these evaluations in medium- and long-term earnings forecasts and creditworthiness evaluations, and use them as the foundation for our investment decisions.

Analysts not only constantly monitors information on the companies for which they are responsible but also engage in interviews and dialogue with investee companies, and progressively reflect the results in their ESG evaluations.

This series of processes constitutes NAM's ESG investing.

NAM does not, in principle, use any external evaluation institutions for ESG analysis and ESG evaluation, and such evaluations are independently conducted by NAM's in-house analysts.

Corporate activities and ESG evaluation



Column Strengthening Fund Governance

At NAM, we have restructured the Product Development Department into the Product Design and Development Department and established the new Product Design and Lifecycle Governance Office, centralizing the authority for products, including designing medium- and long-term product strategy and verifying fund performance and profitability, etc., to ensure we initiate products to meet the needs of our customers.

To achieve effective fund governance prioritizing the interests of customers, we established the Fund Governance Council in 2022, enhancing the structure for inspecting and revising product quality, including whether funds have achieved the asset management and performance anticipated at the time of initiation.

In addition to conventional performance verification, we have added performance indicators measuring long-term performance since the establishment of the fund, after deducting costs, to ensure we provide long-term returns commensurate with the costs borne by customers.

To communicate the details of our products and the status of asset management to our customers in an accessible way, we will actively post on our homepage information such as external evaluations of NAM and its funds, and objective indicators of NAM's asset management capabilities.

The Reality of ESG Investing

ESG Integration: Reflecting ESG Analysis in Earnings Forecasts

ESG integration generally refers to the systematic integration of elements of companies' ESG into the investment process. At NAM, we analyze and evaluate ESG elements at the research stage, when we uncover the essence of each company. We use this as the foundation for our investment decision-making. This section presents two case studies of NAM's ESG integration. Case Study 1 is an example of how we uncover new corporate value through ESG analysis, and Case Study 2 is an example of how a company can bring about significant change and increase its corporate value through dialogue from the perspective of ESG.

Case Study 1 Uncovering new corporate value through ESG analysis

1 | A comparison of ESG items with industry peers raises doubts: "Why?"

While carrying out an ESG evaluation of Company A, a call center operator, a service sector analyst at NAM discovered that the employee turnover rate at Company A was consistently lower than at other companies in the industry (see table on right).

2 | Company interviews and visits to investigate "Why?"

The analyst conducted several interviews with the senior management of Company A, and found out that its locations in regional areas made it more difficult to secure personnel than would have been the case in large cities. Company A therefore emphasized the creation of workplace environments where employees could work long-term. The analyst then visited Company A in person, to increase the certainty of this information.

This visit enabled the analyst to experience first-hand the substantial facilities provided to make work easier and more comfortable for employees, such as wide-open working spaces, extensive cafeterias, childcare facilities, etc.

The analyst was especially impressed by the way Company A defined a "good job." Whereas call centers generally tend to emphasize efficiency measures such as the call response rate and the time taken per response, Company A emphasized receiving a "thank you message" from customers.

This site visit revealed a picture of sustainability and a virtuous cycle where veteran employees supported the high quality of service, and customer satisfaction led to repeat orders. After this site visit, the analyst felt more confident regarding Company A's low personnel recruitment costs and customer acquisition costs, as well as its sales growth.

3 | Raising the ESG evaluation and reflecting this in the earnings forecast

The analyst increased the evaluation for Company A's social (S) aspect of ESG, and revised the earnings forecast upwards to reflect a scenario where Company A achieves sales growth and reduces its SG&A expense ratio. As a result, we raised the target price for Company A's shares, and recommended the stock as a "buy." The share price went on to significantly outperform the market index.

[Comparison of call center companies]

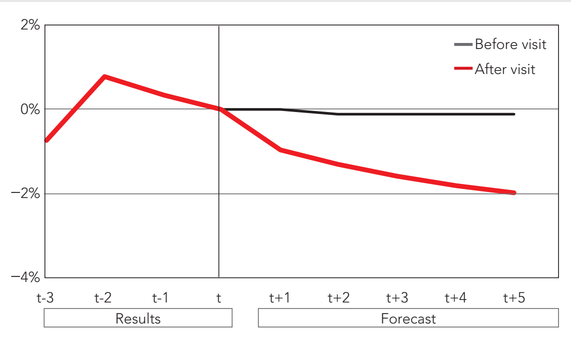
	Company A	Main industry peers
Main locations	Tohoku, Hokuriku, etc.	Mainly located in large cities such as Sapporo, Tokyo, Fukuoka, Okinawa, etc.
Employee turnover rate	Approx. 8–10%	30–40%

[The process of visualizing management strategy from an ESG perspective]

Management hopes	Management strategies
Increase employment in regional areas and among housewives	Improve business operations with a consciousness of enhancing user satisfaction
+	+
Provide a stable working environment	Sales strategy focusing on existing customers and continuing orders
↓	↓
Enhance workplace environments	**Satisfy both customers and employees**

[Reflecting the low employee turnover rate in a lower SG&A expense ratio]

Change in the SG&A expense ratio forecast after the visit, indexed to period t (0%)



Case Study 2 Bringing about significant change and increasing corporate value through an ESG perspective

1 | Understanding the company's ESG issues

Company B was a Japanese company with tremendous brand strength. It had embarked on a structural reform of governance, including the transition to a company with committees, from the early 2010s, ahead of most other companies. However, it still held on to many unprofitable businesses, and was falling short of performance targets year after year.

The NAM analyst responsible for Company B felt that it faced several issues. These included the ineffectiveness of the governance structure, its failure to disclose earnings targets and invested capital for each division, the weakness of its commitment to achieving performance targets, and the lack of opportunities for executives in charge of each division to engage in dialogue with the market at forums such as information sessions and briefings.

2 | Communicating these issues to the company, and discussing them

The analyst determined to examine these issues and how Company B's corporate value could be increased in the medium and long term, and communicate the result to Company B. The analyst repeatedly conveyed to Company B the importance of strengthening communication and information dissemination to advance structural reforms.

As part of this process, in the mid-2010s, the analyst held an interview with a key person in Company B's structural reforms: a person who would be a central figure in its next generation of management leaders. Through this discussion, the analyst began to feel empathy with the manager's sincere attitude towards taking onboard external feedback from the market and prompting a sense of urgency within the company, as well as the manager's outstanding management analysis and approach to business selection and focus. The analyst perceived signs of a change in the executive management of Company B.

3 | Raising the ESG evaluation and reflecting this in the earnings forecast

At the time, the results of Company B's reforms had not yet materialized, but the analyst focused on the signs of improvement in "G" (governance) that emerged from this discussion and, after extensive consideration within NAM, raised Company B's ESG evaluation related to management strategy and management execution.

At the same time, NAM revised the earnings outlook upward, resulting in a higher target price calculated using the DCF model. Company B's share price was therefore considered to be undervalued from a long-term perspective, and represented an attractive investment. A "buy" recommendation was communicated to fund managers.

Company B went on to implement significant changes. In addition to a rapid succession of business divestments and spin-offs, Company B progressively implemented the disclosure of management monitoring measures such as the disclosure of target ROE and the introduction of ROIC for each business, enabling the visualization of corporate value.

At present, Company B is enhancing its information disclosure regarding "human capital." Moreover, by resetting and embedding its corporate philosophy, it has been lauded by the market as a company that is building good relationships with shareholders, employees, and other stakeholders.

[Actual dialogue activities in each phase]

Dialogue (1)	Establishing management monitoring measures for highly material issues

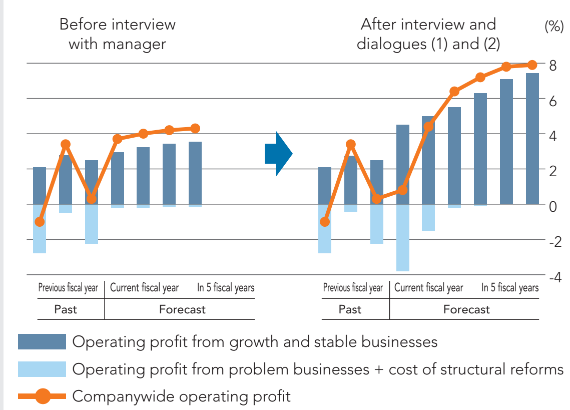
- Clarification of accountability in each division
- External disclosure of the assets held by each division
- Introduction of business administration using ROIC for each division

Dialogue (2)	Formulation, joint engagement, action, and review of specific management strategies

- Disclosure of a vision for the entire group
- Ensuring opportunities for dialogue with the leaders of each division
- Implementation of highly profitability-conscious investment
- Disclosure of management actions and reviews for each division

[Raising the profit forecast to reflect the improvement in ESG evaluation through progressive dialogue]

• Progress in the structural reform of problem businesses through effective management execution; reflecting the results of investing funds in growth businesses



<Case Study 1: Analyst responsible for Company A>

We uncover the essence of competitive strength and reflect this in investment decision-making.

Fumiaki Kuroki
Chief Analyst,
Investment Research Office

<Case Study 2: Analyst responsible for Company B>

The real pleasure of being an analyst lies in being able to feel management change in the air.

Morinobu Kobayashi
Lead Analyst,
Investment Research Office

Fixed Income and ESG Integration

Limiting downside risks through ESG integration

[Approach to ESG analysis in asset management for fixed income and credit]

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

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

Column Does Sovereign ESG Evaluation Contribute to Performance?

Corporate ESG ratings for equities and fixed income evaluate the company's sustainability. They can therefore be used to infer the future growth in corporate value and the degree of credit risk.

Can similar measures be used to evaluate the ESG of sovereign nations? In this section, we present an example estimation of perspectives and analysis in sovereign ESG evaluation.

First of all, we define sovereign ESG evaluation as evaluation targeting the "sustainability of the economic growth and development of a nation." We assume that this can be used as a measure for determining "currency value and creditworthiness."

Our first question is "is it really reasonable to use the same measures to evaluate both developing nations and developed nations?" It does not seem appropriate to require developing countries, where the degree of economic development, and political and fiscal power are yet to mature, to immediately implement investment focused on the "environment." Rather, the material issue for these nations is achieving better governance. Meanwhile, advanced countries such as Japan, although mature in terms of "governance," face relatively larger material issues in terms of the "environment."

Based on this approach, we established four preparatory steps, classified the sovereign ESG evaluation into four levels, and measured changes in real exchange rates over the past 20 years for each stage.

<Preparatory steps>

(1) Classify the nation's stage of growth using factors such as the level of income, etc.

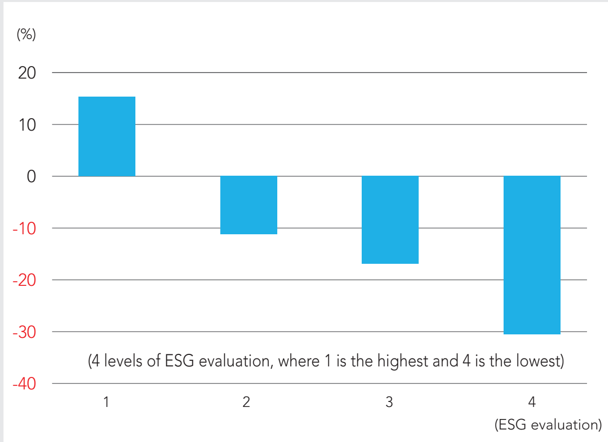
(2) Evaluate E, S, and G using the quantitative data available
(CO_2 emissions, etc. were used for E, population demographics, education expenditure, etc. were used for S, and political stability, etc. were used for G)

(3) Assign a final evaluation (four levels) based on a consideration of (1) and (2) above

(4) Measure change in real exchange rates (over 20 years) for each of the four levels
Calculations were made using a sample of 37 countries for which comparable data from 20 years ago could be obtained

The results are shown in the chart below. Performance was measured in four evaluation levels (1 to 4, where 1 is the highest and 4 is the lowest). The results indicate the possibility that the approaches above contribute to performance over the long term.

Proportional change in real exchange rates for each of the four ESG evaluation levels



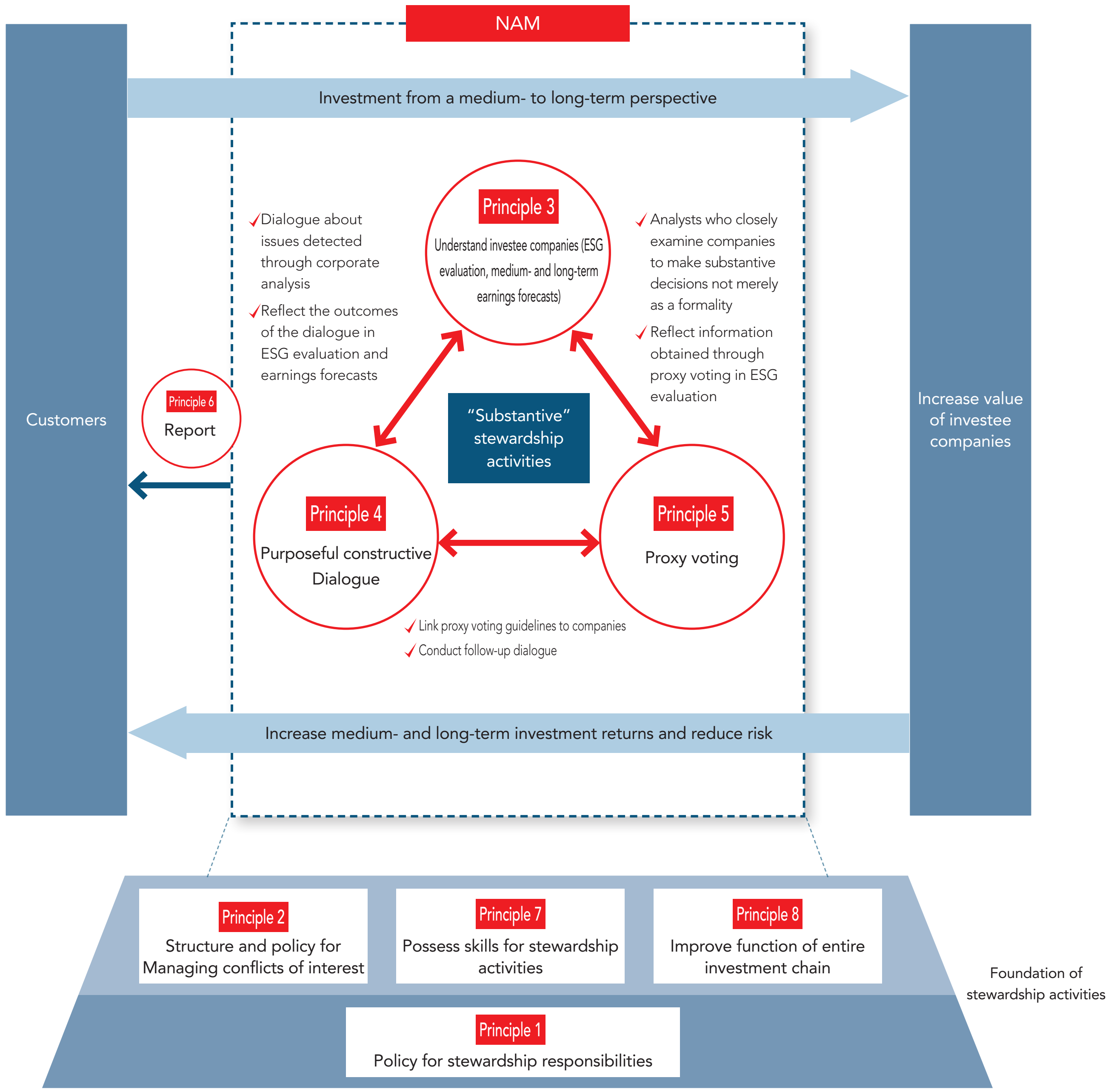
Note: 20 years of data from the end of 1999 to the end of 2019. Exchange rates were calculated using the nominal and real exchange rates published by the IMF (or based on the BIS Broad index where no rates were published by the IMF). The sample included 37 nations. Performance is subject to change due to the market environment, and this does not constitute a guarantee of future yield.

Overall Image and Framework of Stewardship Activities

We aim for the co-creation of value 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 for the co-creation of value 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 an increased value of investee companies.

Overall image of stewardship activities

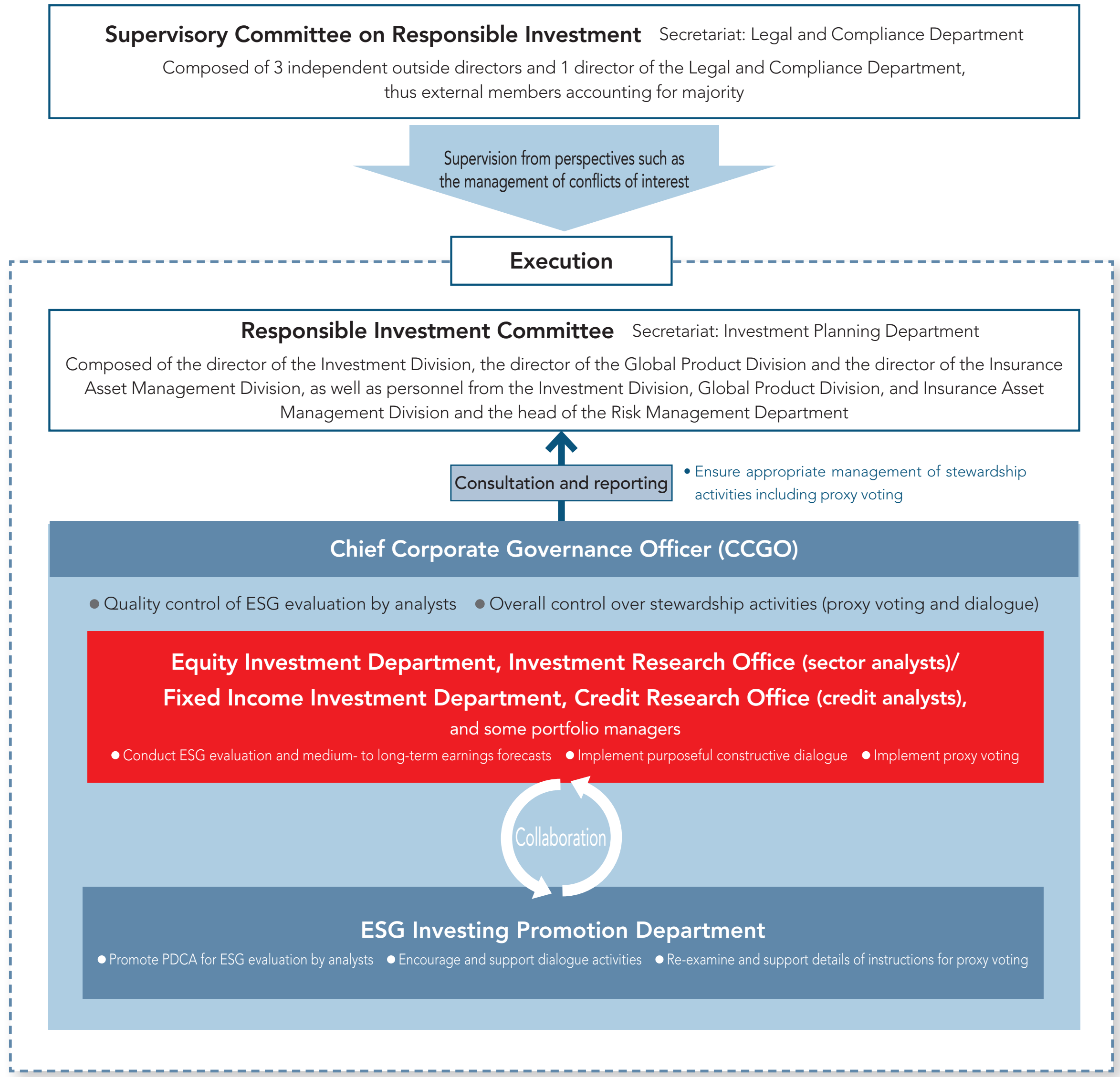


Stewardship structure

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 investing 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 Investing Promotion Department at the core under our Chief Corporate Governance Officer, an expert on ESG and proxy voting. The structure of the ESG Investing 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



Discussion with Outside Directors

2022 Discussion between the Supervisory Committee on Responsible Investment and the Chief Corporate Governance Officer

For the second consecutive year, we talked with three independent outside directors who are also members of the Supervisory Committee on Responsible Investment.

Attendees in the roundtable discussion

Etsuro Kuronuma (Independent Outside Director)
Makiko Fuse (Independent Outside Director)
Masataka Hama (Independent Outside Director)
George Iguchi (Executive Officer, Chief Corporate Governance Officer)

Iguchi: Thank you for taking the time to join me here today. A feature of NAM's Supervisory Committee on Responsible Investment (hereinafter, the "Committee") is that it is composed of a majority of independent outside directors. This enables the integrated supervision of stewardship activities, from the Board of Directors to the Committee. I hope you will share your wide-ranging opinions during this conversation, as you did last year.

The sustainability management expected of asset management companies

Iguchi: The first topic I would like to discuss is the significance of sustainability management for asset management companies. NAM has focused considerable effort in this area, including the establishment of the Sustainability Committee in May 2021. This time, it has even decided to change the name of the report that will publish this discussion from the Stewardship Report to the Sustainability Report. I would like to hear your opinions on these initiatives. Let me start with Director Hama, who has been deeply involved in the management of asset management companies, both in Japan and overseas.

Hama: Thank you. I think it is extremely meaningful for an asset management company to put effort into sustainability management. An acquaintance of mine, who is a top manager at a global asset management company, often comments that "it is our privilege to undertake duties at an asset management company, entrusted with the lives of their customers. We must be strict on ourselves to maintain the trust of society necessary to fulfill this responsibility." I agree entirely. I believe that a consciousness of social contribution is crucial if we want to win the trust of society. Without this consciousness, I think it would be impossible to engage earnestly in stewardship activities aimed at enhancing medium- and long-term corporate value. For asset management companies, sustainability management serves the role of cultivating a corporate culture that will embed this consciousness.

In addition, your team, Mr. Iguchi, has gained insight into corporate initiatives through stewardship activities, among other areas, and I think it is vital that you are actively involved in promoting initiatives within NAM.

Iguchi: Thank you. I am also actually a member of the Sustainability Committee, and I endeavor to provide feedback on the knowledge gained from outside NAM. As you point out, there are many aspects of the initiatives carried out by progressive companies we can learn from. Director Kuronuma and Director Fuse, can I ask for your opinions?

Kuronuma: There is not necessarily a direct link between the sustainability management and stewardship activities of an asset management company. However, the Stewardship Code now requires companies to consider sustainability. Moreover, given the fact that NAM has persistently advocated the importance of ESG, even before the code was revised, I believe there is a high consciousness of sustainability management here.

NAM's initiatives are reported to us, and I am also impressed by its companywide efforts, including the establishment of the Sustainability Committee and KPIs for each key management issue.

Fuse: I agree with the other participants, that these are extremely meaningful initiatives. They raise employee motivation and are linked to securing a higher level of external trust which, as Mr. Hama said, is vital for asset management companies. As independent outside directors, I think it is important that we continue to support these initiatives.

Iguchi: Thank you. The initiatives of the Sustainability Committee have been added to Principle 7 of this year's revised "Acceptance of Japan's Stewardship Code." I agree with the statement already made, that these are important initiatives linked to the cultivation of a corporate culture that will support stewardship activities.

Masataka Hama
(Independent Outside Director)

Has worked as a director of asset management companies in and outside Japan, concurrently an Outside Audit & Supervisory Board Member of Tokyo Electron Ltd.

Makiko Fuse
(Independent Outside Director)

Concurrently a Director of Yamada Consulting Group Co., Ltd.

Etsuro Kuronuma
(Independent Outside Director)

Professor of Faculty of Law, Waseda University, and has worked as a chair of a government council, etc.

Operation of the Supervisory Committee on Responsible Investment in FY2021

Iguchi: Next, I would like to ask your opinions on the Committee's activities in FY2021 and its future direction. Director Fuse, would you begin, please.

Fuse: The establishment of the proxy voting guidelines impressed me the most, through the informal meeting held in November last year and the discussions held by the Committee in February. These guidelines not only encourage the election of female directors but are also designed to promote the appointment of female "internal directors." I think these are constructive initiatives that promote diversity, not only in the board of directors but across the entire company.

The initiatives undertaken to broaden the scope of stewardship activities beyond Japanese equities, to include other asset classes such as foreign equities, also deeply impressed me with NAM's ambition and commitment to fulfilling its social mission.

Kuronuma: I share Ms. Fuse's impression regarding the establishment of proxy voting guidelines on the election of female directors. I believe that the proxy voting guidelines of institutional investors should always be one step ahead of the Corporate Governance Code, and I think it was excellent that NAM was able to demonstrate this. I also think it was an achievement to be able to set certain guidelines regarding the response to shareholder proposals, for proposals concerning climate change-related disclosure and the reduction of cross-shareholdings. In a way, shareholder proposals are one step more progressive than institutional investors, and I think it is meaningful to agree with proposals that represent convincing views, in order to encourage changes in corporate behavior. In last year's discussion, I suggested incorporating environmental and social issues into actions such as proxy voting, and I believe that revisions such as this partly achieved this goal.

I also think that NAM's multifaceted efforts at stronger stewardship activities are also excellent initiatives. These include the appointment of a person responsible for dialogue on climate change, the strengthening of activities for foreign equities and other asset groups in addition to Japanese equities, and joint dialogue by analysts responsible for Japanese equities and credit, among other initiatives.

Hama: I was also deeply impressed by the actions discussed by Ms. Fuse and Mr. Kuronuma. In last year's discussion, I commented on the importance of perceiving the essence of governance. The Committee has been briefed on the results of proxy voting by NAM, and I think it has been meticulous in its response through dialogue and other initiatives, reflecting potential improvements in its proxy voting decisions, etc., to increase corporate value. I also think it was outstanding how NAM reviewed the ESG evaluation items that form the basis for dialogue, revising them to enable it to evaluate the effectiveness of governance.

Iguchi: As you point out, in last year's discussion, we received several opinions regarding the further integration of environmental and social factors into our stewardship activities, as well as increasing the effectiveness of our stewardship activities. We subsequently consulted the Committee regarding these issues, and I think we were able to largely reflect them into our stewardship activities through actions such as the revision of our proxy voting guidelines and ESG evaluation items. Thank you.

Expectations as independent outside directors and Supervisory Committee on Responsible Investment members

Iguchi: Last of all, I would like to ask for your opinions regarding your expectations for this fiscal year's activities as independent outside directors and members of the Committee. Starting with Director Kuronuma, please.

Kuronuma: NAM is a wholly-owned subsidiary, so I regard our role as independent outside directors as representing the interests of beneficiaries. As an independent outside director, therefore, I hope to see transparent management focused on the interests of beneficiaries and the reliable performance of stewardship activities. As a member of the Committee, I expect that NAM will further integrate the environmental and social aspects of ESG into its proxy voting guidelines, etc., as companies begin to disclose sustainability-related matters in their annual securities reports. I also hope to see NAM deepen its stewardship activities, including proxy voting, for asset classes apart from Japanese equities.

Hama: I share Mr. Kuronuma's expectations for transparent management focused on the interests of beneficiaries. I also think that it is important to have diversity within the organization. Diversity includes not only the active participation and promotion of women but also diversity in terms of other aspects such as career history and skills. I think that this perspective is also important to maintain NAM's competitive strength.

As we discussed in last year's conversation, human resources are of the utmost significance for an asset management company. I also want to point out the importance of recruiting, training, and retaining talented personnel. Finally, I hope that NAM can take on a leadership role within the Nippon Life Group, in terms of asset management.

Iguchi: Thank you. In last year's discussion, all of you, as Committee members, discussed the importance of talented human resources in terms of NAM's strengths and the risks it faces. Now, I would like to ask the same question of Director Fuse.

Fuse: I have already mentioned my expectation that NAM will promote sustainability management, so let me discuss my expectations as a Committee member. I think it is vital that NAM strives to be one step ahead in its stewardship activities, anticipating changes in the external environment from a medium- to long-term perspective. Moreover, with the increasing demands placed on companies, including new disclosure items, it is important that this disclosure is made meaningful. As an investor, I think it is crucial that NAM supports companies in their efforts, and clearly perceives this in terms of corporate value.

Iguchi: Thank you. As you point out, we consider it vital for investors to develop their understanding, accumulate insight, and support initiatives by investee companies.

That concludes today's roundtable discussion. I hope we can use the issues indicated by the participants today to further advance NAM's stewardship activities. I look forward to further discussion within the Committee. Thank you for sharing your thoughts today.

(Recorded by George Iguchi)

George Iguchi
Executive Officer
Chief Corporate Governance Officer

Overall responsibility in the Investment Division for stewardship activities and ESG-focused research processes that cross asset classes

Bottom-up Engagement in NAM, Aiming for the Medium- and Long-term Enhancement of Corporate Value

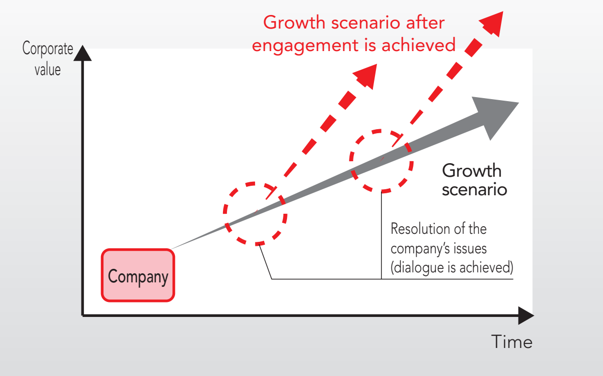
Engagement aimed at enhancing and realizing corporate value

NAM's ideal for engagement activities is to carry out constructive discussions with investee companies, premised on relationships of mutual trust, and to engage in these activities with an awareness of supporting the realization of corporate growth.

Frequent discussions with senior management and IR representatives will reveal aspects such as the business issues currently faced by the investee company and management issues associated with future business expansion. Many companies that aspire to growth are closely focused on issues such as these, but investors still play an important role in providing a "bird's-eye view" that can hint at solutions to the company's weaknesses and issues.

NAM is engaged in analyst activities with a consciousness of providing support that will enable companies to perceive what they need to do to improve, by expressing objective opinions and introducing examples of similar problem-solving from other industries, etc.

NAM's ideal for engagement (illustration)



Implementation framework for bottom-up engagement at NAM

A deep understanding of the company is vital for such engagement to progress. It is important that the analyst responsible for each company carries out the ESG evaluation, and is involved in all parts of the ESG integration process leading to the analysis of corporate value through medium- and long-term earnings forecasts.

NAM's analysts endeavor to cultivate a mutual sense of trust through engagement with the senior managers of investee companies, and strive to ascertain the essence of each company. This also leads to greater confidence in our medium- and long-term earnings forecast, taking ESG evaluation into account.

It is possible to enhance corporate value through engagement, based on dialogue activities such as these, and we designate companies where senior management and others are open to dialogue as "engagement focus companies."

Of course, companies are aware of a diverse range of issues, and we get the impression that a lot of companies face difficult decisions about which issues to prioritize, in view of factors such as the various interests of their stakeholders and opinions from investors with different timelines for growing corporate value.

The same applies for engagement. It is necessary to engage in continuing discussions after narrowing-down the issues to discuss based on their order of priority, accounting for elements that will impact long-term corporate value.

For this reason, NAM's success criteria for engagement agenda items are not results-based criteria such as ROE targets or operating margin targets. Instead, we aim to enhance corporate value by setting criteria related to specific management actions that should be taken by the company. By using this framework to manage progress, we hope to continue our association with companies behind the scenes, to support the actions they take to improve.

(In addition to this kind of bottom-up engagement, we also engage in top-down dialogue as part of our activities to contribute to achieving net zero, etc.)

Main flow of bottom-up engagement for Japanese equities

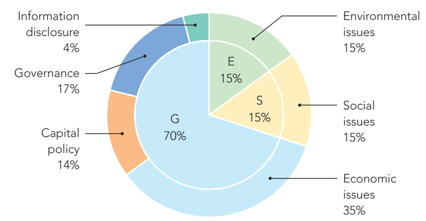
1. ESG evaluation
Medium-and long-term earnings forecasts
Corporate value analysis
2. Designation of engagement focus companies*1
3. Listing companies' weaknesses and areas for improvement
4. Setting the engagement agenda (determining order of priority)*2
5. Continuing engagement, progress management and improvement*3

***1 Engagement focus companies**

Approx. 230 companies

(FY2021)

***2 Proportion of dialogue agenda devoted to each ESG item**



* The data above is composed of agenda items for engagement focus companies and agenda items for top-down dialogue on issues such as the promotion of climate change initiatives

***3 Progress management for engagement agenda items**

Stage		Status
Newly-established (before dialogue)		New agenda items established (Engagement unconcluded at the end of the fiscal year)
Sharing issues		Shared awareness of issues below the senior management level, or shared awareness not yet achieved
Responding to issues	Building processes	Shared awareness of issues up to the senior management level, with processes under construction
	Progressive action	Initiatives underway to resolve issues
Response completed		Agenda target achieved

Illustration of steps (3) Listing of companies' weaknesses and areas for improvement and (4) Setting the engagement agenda (determining order of priority) from the previous page

Taking the manufacturing industry as an example, we can present the issues faced by companies in each facet of ESG as shown in the table below. From among the possible dialogue themes, including those not shown in the table, we consider the most important initiatives from the perspective of stakeholders, to avoid the engagement becoming too vague and diffuse. We emphasize the setting of the engagement agenda by our analysts, based on their investigative activities, according to an order of priority determined through comprehensive consideration of the "enhancement of corporate value," the "timeframe for successfully resolving issues," and the "probability of a successful resolution."

Illustration of the process from listing the engagement agenda items to determining an order of priority

◆ (3) Listing companies' weaknesses and areas for improvement

	Examples of engagement agenda items	Dialogue perspectives based on enhancing corporate value
Environmental (E) engagement	(1) Improvement of manufacturing methods (2) Environmental management and net-zero GHG emissions (3) TCFD recommendations and environmental information disclosure	• Initiatives to suppress the production of CO_2 from manufacturing processes • Balance between promoting the development of energy-saving products and new manufacturing methods and invested capital • Formulation of management strategy to achieve carbon neutrality by 2050 • Enhanced disclosure of business risks, opportunities, and response measures
Social (S) engagement	(1) Corporate culture and relationships with employees (2) Relationships with stakeholders and customers (3) Work safety and human right response	• Enhanced disclosure of the penetration of corporate philosophy and employee engagement • Promotion of human resources development measures and DEI, and utilization of mid-career hires • Building relationships with suppliers and others • Enhanced disclosure of work practices, safety and health, etc.
Governance (G) engagement	(1) Management strategy and efficiency of invested capital (2) Governance structure and attitude to dialogue (3) Compliance and risk response	• Optimal composition of investment and returns and the establishment of high-quality investment discipline • Disclosure of the skills of directors and the construction of a governance structure that incorporates diversity • Stronger function as a monitoring board and deeper discussion by the board of directors • External involvement in the nomination and compensation committee, and governance of listed subsidiaries • Monitoring to prevent scandals

◆ (4) Setting the engagement agenda (order of priority)

Perspectives on the order of priority of engagement agenda items

(1) Enhancement of corporate value

(2) Timeframe for successfully resolving issues

(3) Probability of a successful resolution

The analyst determines the engagement agenda

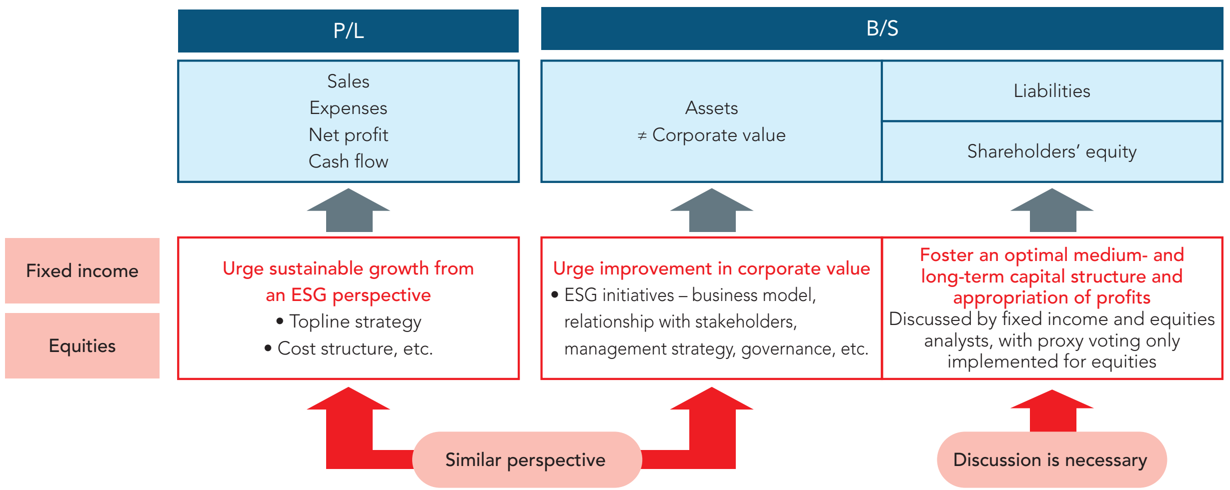
Engagement and conflicts of interest between equities and fixed income

Since FY2019, NAM has extended its initiatives to address Japan's Stewardship Code to domestic fixed income investment.

It is often pointed out that there is a conflict of interest between equity investors (shareholders) and fixed income investors in aiming to increase their own asset value and the safety of their respective positions. However, given that an important aspect for long-term investors, whether in equities or fixed income, is the sustainability of the company, their interests can be said to be generally aligned. The sustainability of the company will be affected if its 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.

In this way, NAM has standardized its ESG evaluation method, an important foundation for engagement, across both equities and corporate bonds. Moreover, both equities and corporate bonds analysts coordinate as necessary as they engage in dialogue with investee companies concerning issues such as corporate sustainability from a long-term perspective and optimal capital structure.

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



Climate Change and the TCFD Recommendations

The increasing need for climate change countermeasures in Japan – from an "earth" to "economic" issue

The Sixth Assessment Report published in August 2021 by the Intergovernmental Panel on Climate Change (IPCC), an organization set up by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP), concluded that there was no doubt about the progress of global warming due to human activities.

Under these circumstances, in March 2022, following the announcement of a European sustainability reporting directive, the US Securities and Exchange Commission (SEC) and the IFRS Foundation announced a proposal concerning the disclosure of information on climate change risk, etc. The progressive introduction of rules on the disclosure of greenhouse gas emissions, including those in the value chain (Scope 3) is anticipated from next year onwards.

With the disclosure of Scope 3 emissions, the emissions attributed to a company's products will also count towards the emissions of those who purchase its products. It may therefore be that companies refrain from purchasing products with large emission volumes. There are fears that this will lead to a decline in the competitive strength of products from countries that are heavily dependent on fossil fuels for their electric power generation. Moreover, some products will become subject to carbon taxes at national borders in Europe from 2026. If this trend spreads, then the price competitiveness of high-emission products will decline.

Until now, the discussion on the issue of climate change has focused purely on physical problems in the global environment and the ecosystem. If information disclosure and the introduction of carbon taxes and similar measures are realized on an international scale, then climate change will become an economic problem, directly linked to corporate performance, and further, to international competitive strength. The need for climate change response is therefore expected to continue to rise, in Japan as elsewhere.

Will Scope 3 disclosure be a game-changer? – the status of greenhouse gas emission disclosure rules –

Authority	Target	Stance on Scope 3 disclosures	Timing of adoption of Scope 3 disclosures
US Securities and Exchange Commission (SEC)	Companies	Disclosure in stages depending on company scale	Adoption planned from FY2024
International Sustainability Standards Board (ISSB), IFRS Foundation	Companies	Disclosure required	Final establishment of standards planned during 2022
European Corporate Sustainability Reporting Directive (CSRD)	Companies	Disclosure required	Adoption planned from FY2023

* Based on proposals for regulations and rules as of July 2022.

Do the tight supply of resources and the rise in resource prices represent warning signs for the shift to cleaner energy?

Resource prices are rising, driven by factors such as a contraction in investment and lending to fossil fuel-powered electricity plants and the tight supply of resources resulting from Russia's invasion of Ukraine. Faced with this trend, some have expressed doubt over decarbonization initiatives.

However, the advance of global warming permits no delay. If we pause our efforts due to immediate concerns, we risk impairing the future sustainability of the planet and society. In some cases, temporary measures are unavoidable to ensure the stability of our present lives. At the same time, however, it is precisely because the world is becoming increasingly fragmented that we face an ever-growing necessity to build a society that is not dependent on fossil fuels.

In the energy sector in particular, the rise in energy prices has boosted business results. This is an excellent opportunity to transform the industry structure through investment in renewable energy. We believe it is crucial to understand emergencies and crises as chances and opportunities to accelerate the decarbonization trend.

Engagement in the Net Zero Asset Managers initiative

NAM joined the Net Zero Asset Managers initiative in March 2021. Under the framework of this initiative, we established and announced "2030 interim targets" for reducing greenhouse gas emissions in January 2022.

For 59.6% of our assets under management[Note 1] as of December 2019, we aim to halve the carbon footprint of our portfolio[Note 2] by 2030, compared to 2019. This is summarized below.

2030 interim targets

Proportion of assets under management for which we aim for net zero: **59.6%**[Note 1]

Carbon footprint[Note 2] reduction target (by 2030): **50.0%**

Note 1: Including assets under discretionary investment contracts signed as a result of the transfer of the asset management function from Nippon Life Insurance Company to NAM in March 2021.

Note 2: The total of all greenhouse gas emissions from investee companies attributable to NAM (Scope 1 & 2), for both equity and corporate bond investments, divided by total investment. The methodology proposed by the Partnership for Carbon Accounting Financials (PCAF) is used to calculate greenhouse gas emissions attributable to NAM. Services provided by MSCI were used in this calculation.

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Q Why is 59.6% the proportion of assets under management for which we aim for net zero?

- 59.6% represents all equity and credit investment.[Note 3] Note 3: Excluding long-short funds.
- Most of the assets not subject to this target are sovereign bonds and alternative assets, for which the method had not yet been established to calculate portfolio greenhouse gas emissions at the time when the 2030 interim targets were considered. We will consider progressively expanding the scope of this target, while monitoring factors such as the establishment of this calculation method.

Q Why do we aim for a 50% reduction by 2030?

- The 50% reduction target is based on the scientific insight indicated in the IPCC Special Report on Global Warming of 1.5°C.
- This report points out that, in order to keep the rise in global temperatures to 1.5°C, it is necessary to reduce global CO_2 emissions by approximately 45% by 2030, compared to 2010.
- In reality, however, global CO_2 emissions increased from 2010 to 2019. Based on this, we established the target of a 50% reduction by 2030, compared to 2019.

2019→2020 reduction[Note 4]

◆ Carbon footprint as of December 31, 2019: **91.6** tons of CO_2 equivalent/USD million

17.4% reduction

◆ Carbon footprint as of December 31, 2020: **75.7** tons of CO_2 equivalent/USD million

Reduction factors: Reduced holdings of high-emission companies, reduced emissions from companies held, etc.
December 2020 was before we began engaging in the Net Zero Asset Managers initiative.

Note 4: Only the reduction up to 2020 has been covered, because FY2020 is the most recent fiscal year for which sufficient data on greenhouse gas emissions was available for investee companies at the time of preparation of this report (July 2022). Services provided by MSCI were used in this calculation.

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Implementation of dialogue to achieve the targets

For some time, we have ascertained the impact of climate change on medium- and long-term corporate value through the environmental aspect of its ESG evaluations, and used this insight in its investment decisions. We have also implemented engagement aimed at enhancing corporate value through companies' response to climate change.

In addition to these initiatives, we aim to achieve our 2030 interim targets by focusing on engagement with companies that have high greenhouse gas (GHG) emissions within NAM's companywide portfolio, to encourage them to implement measures to achieve net zero.

The chart on the right represents the GHG emissions of the investee companies of NAM's Investment Division, ordered according to the GHG emission volume attributable to NAM through equity and corporate bond investment. It shows how these emissions are dominated by a few companies.

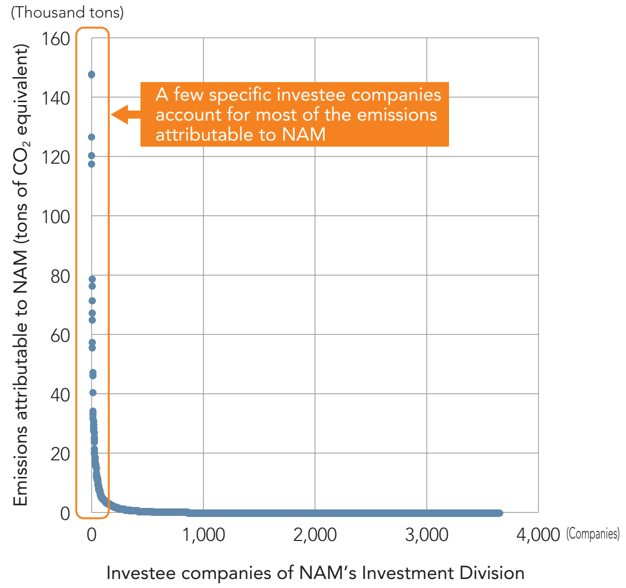
NAM selects these companies for focused engagement, discussing with them issues such as data disclosure, the establishment of medium- and long-term reduction targets, the formulation of strategies and plans to achieve these targets, and system development.

Towards effective engagement

At present, in the asset management industry, asset management companies holding approximately 60% of the world's total assets under management are committed to achieving net zero emissions for the assets they manage, through participation in the Net Zero Asset Managers initiative. Many of these asset management companies advocate engagement as a way to achieve this goal. Moreover, under Climate Action 100+ (CA100+), a joint initiative on climate change led by international bodies such as the PRI, approximately 700 asset management companies worldwide carry out engagement activities with high-GHG-emission companies.

This arrangement means that companies are prompted to address the same topic by investors around the world. We therefore regard platforms for cooperative dialogue such as CA100+ as very meaningful. At the same time, however, while companies may be capable of some actions aimed at net zero, other aspects may be unclear, and we believe there are many elements that companies find it difficult to determine alone. It is no doubt difficult to decide on issues such as investment in decarbonization unless there are prospects of recovering this investment in the future. We believe it will become increasingly vital for investors engaged in dialogue to be aware of companies' limits, think together with companies about measures to overcome obstacles, and advocate these in terms of policy. We hope to do our utmost in these areas.

Greenhouse gas (GHG) emissions attributable to NAM's Investment Division (by company, in descending order)



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 FY2019 based on the International Securities Identification Numbers (ISINs) for the Investment Division's investments (stocks and corporate bonds) as of December 31, 2019. 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").

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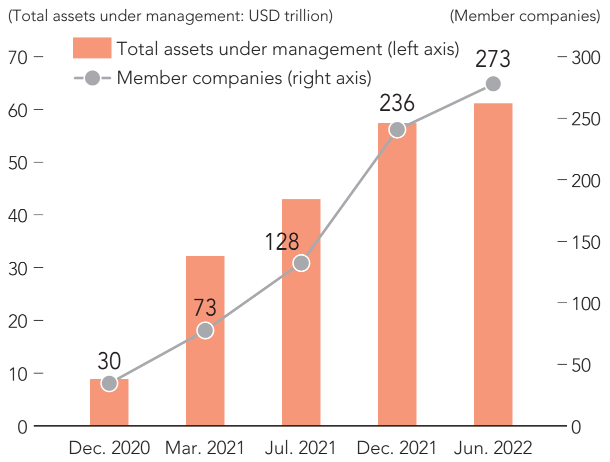
Participation in the Net Zero Asset Managers initiative



Source: Prepared by NAM based on figures published by the Net Zero Asset Managers Initiative

Promoting cooperation through involvement in various investor initiatives

At NAM we are advancing our active involvement and cooperation with investor initiatives active across various approaches, and using the insight gained from these activities to enhance our own initiatives, to contribute to achieving net zero emissions.

Climate change-related initiatives in which NAM is involved, and their aims

	Activities groups needed to contribute to achieving net zero emissions				
Name of initiative	Commitment to net zero emissions	Portfolio GHG emissions measurement method	Influencing companies	Promoting environmental information disclosure by companies	Influencing climate-related policies
Net Zero Asset Managers Initiative (NZAMI)	●				
Glasgow Financial Alliance for Net-Zero (GFANZ)	●				
Race to Zero	●				
Partnership for Carbon Accounting Financials (PCAF)		●			
Climate Action 100+			●		
Asia Investor Group on Climate Change (AIGCC)			●		
CDP				●	
TCFD				●	
SASB Investor Advisory Group				●	
Japan Climate Initiative (JCI)					●

Addressing the TCFD recommendations: Aiming to contribute to net zero emissions while also fulfilling our fiduciary duty

With climate change becoming an increasingly important factor for corporate management, the significance of the TCFD recommendations, which promote disclosure of the financial impact of climate change risks and opportunities, is also growing. Disclosure by investee companies based on the TCFD recommendations represents indispensable information for NAM's ESG evaluation. At the same time, as an asset management company, we are also striving to ensure the transparency of initiatives grounded in the 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 30, 2022, a total of 3,598 organizations worldwide had declared their support for the TCFD. NAM became an official supporter in January 2019.

Governance to address climate change

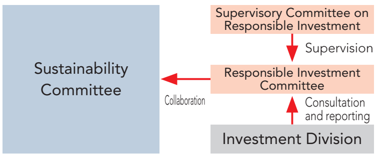
We consider and promote initiatives to address sustainability issues, including climate change, through the Sustainability Committee, established in 2021 as an organization subordinate to the Board of Directors. In the investment sphere, we determine our activities policy and ensure appropriate supervision through discussions in the Responsible Investment Committee, chaired by the director of the Investment Division, and the Supervisory Committee on Responsible Investment, which is composed of a majority of independent outside directors and delegated authority by the Board of Directors. Our 2030 interim targets for the reduction of greenhouse gas emissions from our asset management portfolio, mentioned above, were established by resolution of the Board of Directors, after consultation with the Sustainability Committee and the Responsible Investment Committee.

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.

We strive to understand the impact of "physical risks" and "transition risks" on corporate value using NAM's proprietary ESG evaluation process, which integrates the evaluation of corporate initiatives to address climate change. We also perform climate change scenario analysis to confirm the robustness of this ESG evaluation.

◆ Governance structure to address climate change



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. We have also established 2030 interim targets for the reduction of greenhouse gas emissions from our asset management portfolio, mentioned above. In addition to engaging in dialogue and other engagement with investee companies to achieve these targets, we monitor progress against them and promote PDCA.

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 in dialogue with companies.

To manage the climate change-related risk of investment products, we monitor metrics for portfolio greenhouse gas emissions, etc. for each individual product.

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

The current status of metrics related to portfolio greenhouse gas emissions, for which disclosure is suggested in the TCFD recommendations, is shown below.

Total carbon emissions of portfolios

This metric indicates the portions of greenhouse gas emissions from corporate activities that are attributable to an investor in that company, through 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.

Carbon emissions from the portfolios managed by NAM total approximately 11.5 million tons of CO_2 equivalent as of December 2020.* This figure decreased slightly from 2019 to 2020, but emissions increased for foreign corporate bonds, mainly due to an expansion in assets scale. In terms of the volume of emissions for each asset class, the largest total carbon emissions were for foreign corporate bonds, which were also the largest asset class, amounting to approximately 5.9 million tons of CO_2 equivalent as of December 2020.

* Figures presented are for 2020, because FY2020 is the most recent fiscal year for which sufficient data on greenhouse gas emissions was available for investee companies at the time of preparation of this report. (The same applies for all emissions-related data below.)

▶ Total carbon emissions of NAM's portfolios (tons of CO_2 equivalent)

Asset class	As of December 2019	As of December 2020
Domestic equities	1,331	967
Foreign equities	2,865	1,975
Domestic corporate bonds	2,835	2,664
Foreign corporate bonds	4,655	5,898
Total	11,686	11,504

Note 1: Including assets under discretionary investment contracts signed as a result of the transfer of the asset management function from Nippon Life Insurance Company to NAM in March 2021. (The same applies for all emissions-related data below.)
Note 2: 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 FY2019 and FY2020 based on the International Securities Identification Numbers (ISINs) for NAM's investments (stocks and corporate bonds) as of December 31, 2019 and 2020. 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").
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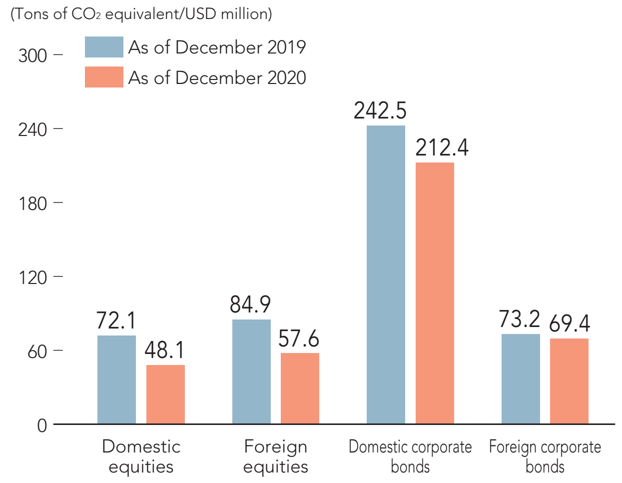
Carbon footprint of portfolios

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 the sale of products; this metric divides emissions volumes by market capitalization to look at carbon footprints per unit of investment in each portfolio.

NAM's 2030 interim targets based on the Net Zero Asset Managers initiative, described above, were also established using this metric.

The carbon footprint of NAM's portfolios decreased from 2019 to 2020, for all asset classes. Equities (Japanese and foreign) saw an especially large decrease. This was due to factors such as reduced holdings of high-emission companies and reduced emissions from companies held.

▶ Carbon footprint of NAM's portfolios



Note: Calculated using the market capitalization of holdings of each investee (stocks and corporate bonds) aggregated to measure total carbon emissions, above, for which there are no missing values.
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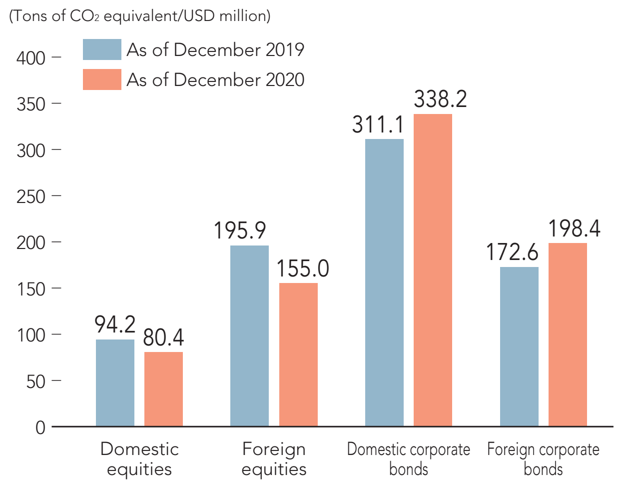
Weighted average carbon intensity of portfolios

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 the 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.

The weighted average carbon intensity of NAM's portfolios decreased from 2019 to 2020, mainly due to a decrease in holdings of companies with high carbon intensity, for both domestic and foreign equities. At the same time, however, carbon intensity increased for domestic and foreign corporate bonds due to an increase in transport and other sectors.

Weighted average carbon intensity of NAM's portfolios



Note: 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 FY2019 and FY2020 based on the ISINs for our investments (stocks and corporate bonds) as of December 31, 2019 and 2020. Missing values were excluded prior to calculation.
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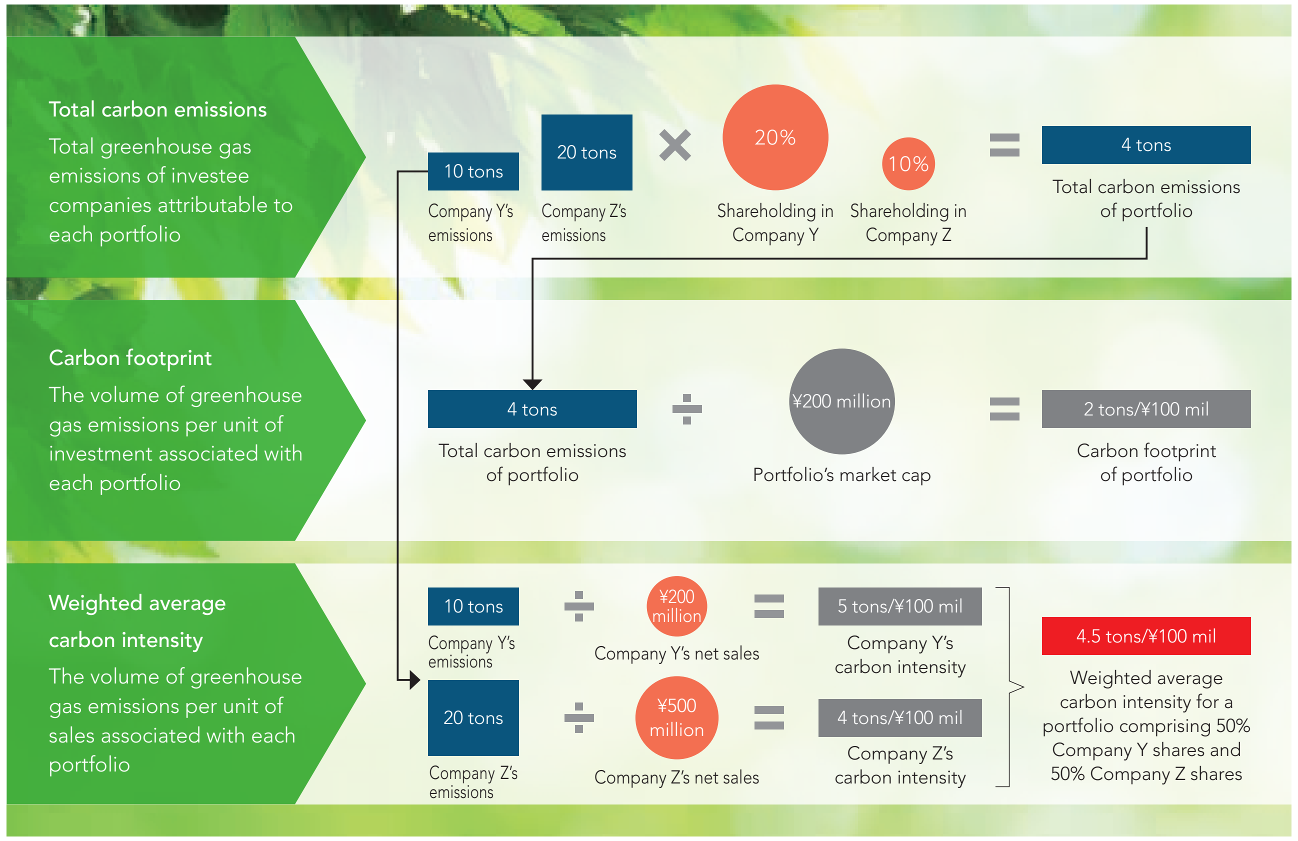
Reference: Each metric's meaning and method of calculation



Data related to greenhouse gas emissions in this report have been obtained and calculated using the services provided by MSCI ESG Research LLC.

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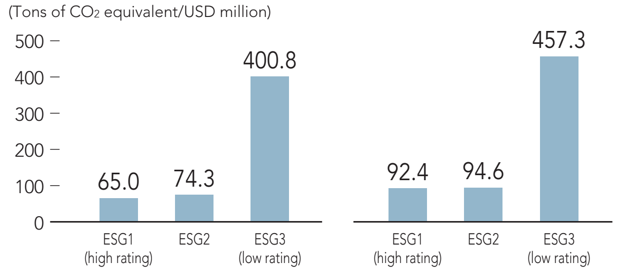
Enhancing the resilience of NAM's ESG ratings through climate change scenario analysis

ESG ratings and greenhouse gas emissions

NAM's ESG ratings are aimed at evaluating whether ESG initiatives, including those to address climate change and other environmental issues, will lead to enhancing corporate value or prevent its impairment. The evaluation of the aforementioned carbon footprint and weighted average carbon intensity by ESG rating shows that the higher the rating, the better both metrics are.

Although we do not use these metrics directly in our evaluation, the results reveal that companies that we evaluate highly tend to have a relatively small impact on the environment.

ESG ratings and carbon footprint (left), weighted average carbon intensity (right)



Note: Figures have been calculated from various data for FY2020 using the same method as described on the previous page, for equally-weighted hypothetical portfolios composed of domestic stocks with each ESG rating, as of March 31, 2022.
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Climate change scenario analysis

Climate change scenario analysis assesses how the corporate value of investee companies 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 an E1 rating, the highest rating for environmental (E) factors on NAM's ESG rating scale, 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 an analysis of the CVaR of E1-rated companies relative to the CVaR of TOPIX companies are shown below.

Combined CVaR analysis categories and assumed scenarios

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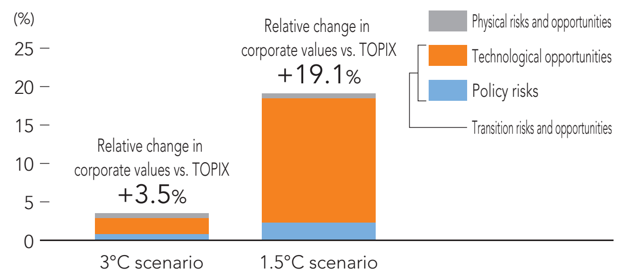
As a result of conducting CVaR analysis, we found that E1-rated companies had superior combined CVaR and a relative gain in corporate value compared to the TOPIX companies for both the 1.5°C and 3°C scenarios. NAM's E1 rating implies a high level of resilience against future climate change.

For the 1.5°C scenario, in particular, the effect of "technological opportunities" associated with climate change on corporate value was larger than for the TOPIX companies. This implies that E1-rated companies are more likely to enjoy substantial earnings opportunities in the future, when strict climate change countermeasures are implemented to curb rising temperatures.

Results of CVaR analysis (relative change in corporate values of E1-rated companies compared with TOPIX companies)



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, 2022. The data for E1-rated companies comprise simple arithmetic averages for the portfolio.
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Column Trends in the US, Europe, and the IFRS Foundation towards Establishing Standards for Sustainability Information Disclosures

ESG information disclosures – From "voluntary" to "mandatory"

The past couple of years have brought a worldwide trend towards the introduction and tightening of regulations on ESG information disclosure.

The reinforcement of regulations in the United States and Europe, in particular, is gaining attention. In March 2022, the US Securities and Exchange Commission (SEC) announced and called for opinions on a proposal for new rules on the disclosure of climate change risk. Meanwhile in the EU, the European Financial Reporting Advisory Group (EFRAG), under authority delegated by the European Commission, engaged in the consideration of sustainability reporting standards for Europe. Draft standards were announced in April 2022, and they called for opinions.

For many years, corporate ESG information disclosure has been undertaken as a voluntary initiative by individual companies. Various disclosure standards and other guidelines for corporate information disclosure have been developed, but most of these are private-sector initiatives with no legal force.

As a result, it is natural that while some companies are passionate about information disclosure, others are not. The lack of comparability and consistency in the content of disclosed information has also been frequently pointed out.

Many market participants have come to a shared recognition of the crucial importance of regulatory power to ensure that all companies disclose the ESG information genuinely needed by investors.

Differences in disclosure regulation in each country and region

If the content of ESG information for mandatory disclosure, however, is totally different depending on the country and region, this in itself presents a new problem. For example, investors who invest globally would hope for the common disclosure of information necessary for investment decisions across all companies, regardless of in which country they are located. For these investors, it is certainly not desirable that companies are subject to totally different disclosure regulations in each country.

In reality, while there are many commonalities between the content of the regulations proposed by the United States and the European Commission, mentioned above, there are also obvious differences in approach and characteristics unique to each.

The ISSB's goal of a baseline for disclosure regulation in each country

In this context, the IFRS Foundation has gained attention for its efforts to establish a baseline for disclosure regulation in each country and region.

The IFRS Foundation is a nonprofit organization that oversee the International Accounting Standards Board (IASB), which is responsible for setting the International Financial Reporting Standards (IFRS Accounting Standards). The IFRS Foundation is a private-sector organization and not a regulatory authority. However, the IFRS Accounting Standards have already been incorporated into the framework of regulations in many countries and regions, and are the de-facto international standards for accounting rules.

The IFRS Foundation is therefore highly influential. In November 2021, it officially established the International Sustainability Standards Board (ISSB), expanding its efforts to establish standards for sustainability information disclosures.

The ISSB, while recognizing the need for disclosure regulation that reflects the unique circumstances in each country and region, aims to standardize the content to be disclosed by companies around the world (the global baseline), to be useful in decision-making by investors and others, regardless of in which country they are located.

Towards the resolution of complicated issues

Nonetheless, the establishment of a global baseline is unlikely to be a straightforward task, at least for the moment. This is because, as of the time of writing of this report, the standards proposed by the ISSB contain several unique characteristics, such as disclosure for each industrial sector.

Of course, efforts for regularization only just begun. The EFRAG, ISSB, and SEC have each only published draft proposals (in some cases, only partial drafts) as of the time of writing of this report. We believe that, going forward, it will be important for each of these organizations to aim for highly compatible disclosure standards and regulations through communication and cooperation between various market participants, while remaining conscious of the fundamental goal of disclosing information that is genuinely needed by investors.

We expect the ISSB to demonstrate strong leadership, to achieve the best outcome possible.

The structure of the IFRS Foundation

Oversight	IFRS Foundation Trustees	
Standard-setting bodies	International Accounting Standards Board (IASB)	International Sustainability Standards Board (ISSB)
Standards	IFRS Accounting Standards	IFRS Sustainability Disclosure Standards

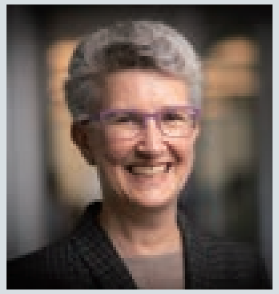
Standards, etc. established by the EFRAG, ISSB, and SEC

Authority	Main milestones in the establishment of standards, etc.
European Financial Reporting Advisory Group (EFRAG)	• June 2020: Delegated responsibility by the European Commission for preparing new sustainability reporting standards • April 2022: Published draft EU sustainability reporting standards
International Sustainability Standards Board (ISSB)	• November 2021: Established by the IFRS Foundation • March 2022: Published two exposure drafts: General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures
US Securities and Exchange Commission (SEC)	• March 2021: Called for opinions on the current climate-related disclosure rules • March 2022: Announced a proposal for new rules on the disclosure of climate change risk

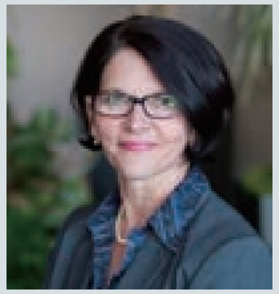
Talk Session with Overseas Experts: The Trajectory of SASB Standards and the Future of Sustainability Disclosure

In August 2022, the IFRS Foundation, which established the International Sustainability Standards Board (ISSB), integrated the Value Reporting Foundation (VRF), which provides frameworks and standards for the disclosure of non-financial information. In 2019, NAM became the first Japanese member of the Investor Advisory Group (IAG) of the Sustainability Accounting Standards Board (SASB), the predecessor of the VRF. Following the merger with ISSB, we had the opportunity to talk to Ms. Guillot and Ms. Eulitt, who have supported VRF and SASB to date.

◆ Participants



Janine Guillot
CEO, VRF
Special Advisor to ISSB



Katie Schmitz Eulitt
Director, Investor Relationships;
Senior Market Co-Leader,
APAC, VRF

Tomoaki Fujii
Co-Chief Investment Officer (Co-CIO)
and Head of ESG Investing Promotion
Department, Nissay Asset Management

Toshikazu Hayashi
Chief Director,
Nippon Life Global Investors
Europe Plc

Note: This conversation was held on July 6, 2022. Affiliations and titles are shown as of the date of the conversation.

About the consolidation of VRF with IFRS Foundation

Fujii: The consolidation of the VRF with the IFRS Foundation is coming soon, how do you feel now?

Guillot: We're thrilled about it. One of our goals in the earliest days of the SASB was for sustainability disclosure to achieve the same level of maturity, and acceptance and credibility as financial accounting. We think the merger of the VRF, including the SASB Standards, into the IFRS Foundation is a major step forward toward achieving this, because the International Sustainability Standards Board (ISSB) was established as a sister body of the International Accounting Standards Board (IASB). It puts sustainability disclosure and financial accounting on an equal footing, so we're very pleased about that.

Background and history of the SASB

Fujii: What was the motivation behind the establishment of the SASB?

Eulitt: I have been involved with the SASB since its establishment. The SASB was founded to fill a gap in market data. There was a great deal of sustainability reporting standards, but none was really aimed specifically for investors. So, The SASB was formed to create a common language for companies to communicate with their investors, and to better measure sustainability performance. Together with financial information, this gives investors a better view of whether companies are really managing sustainability issues that could have an impact on their performance.

Guillot: When the SASB was founded, I was working for the largest U. S. pension fund, and I had led the development of the investment briefs which integrate ESG into investment decision making across the entire multi asset class fund. However, there were barriers in terms of data and information with a lack of what I call investor quality information, which is comparable, consistent, and reliable information on sustainability factors that are connected to financial performance and value of companies. At that time, I thought that what the SASB was doing was exactly what we as institutional investors needed, and I joined the SASB to help bring that vision to life. The SASB Standards have gained traction with global investors because they are useful to investors who want to incorporate ESG into investment decision making processes. It is a rigorous, scalable, and cost-effective way.

Fujii: Have there been any difficulties in the SASB's more than 10-year history?

Eulitt: In the very early days, we had a lot of difficulties because of the lack of awareness, but gradually we found investors who deeply understood and recognized the value of what we were trying to achieve. And then as we gained momentum, it was easier to get experts' help for industry-by industry working groups. They became a part of our due process for setting the provisional SASB Standards, which later became the codified standards.

Reaction to the ISSB's exposure drafts

Fujii: What comments have been received so far on the ISSB's exposure drafts?

Eulitt: Although many comments have not yet been received, as the deadline for submitting comments is at the end of July, we're hearing strong investor support from the SASB Investor Advisory Group members. But I think there's some confusion also in the market about what the industry-based approach will mean for them even though over 2,000 companies around the world today are using the SASB Standards in their reporting to investors.

Guillot: The reason the industry-based approach serves investors so well is because sustainability issues manifest differently in industries. What's the most relevant sustainability issues in telecom could be different from retail, agriculture, financial services, and so on. The financial accounting standards apply across all industries, whereas the SASB Standards are industry-based, because sustainability issues impact different industries differently and that is the main reason why investors value them so much. It is inherently cost effective for companies and companies can focus on the issues that are most relevant to them. However, as the ISSB builds those industry-based standards into its standards, there are lots of new people who get to know the SASB and to get to know its industry-based approach for the first time. So, we are having explain and educate a whole new group of people who have not worked with the SASB Standards over the last few years, about why investors value that industry-based approach, why it results in decision useful information for investors, and why it's cost effective for companies. That's why it's very important that the ISSB hear from investors directly about why they value the SASB Standards, and how they use them in investment decision making, or stewardship/proxy voting.

Hayashi: Business models vary from industry to industry, and we also believe the SASB Standards are excellent at providing suggestions on materiality for each industry.

VRF created by merger of SASB and IIRC

Hayashi: The VRF is about to consolidate with the IFRS Foundation, and before that, many market participants were surprised when the SASB and IIRC merged in 2021 to create the VRF. What is the background to the merger of the SASB and IIRC?

Guillot: The SASB along with the IIRC were part of the Corporate Reporting Dialogue, and we found that both the SASB and IIRC shared a common belief which was that we had to simplify and rationalize the disclosure landscape. We both wanted to be responsive to company demand, investors demand, and regulatory demand for simplification. Through the years, there had been attempts at mapping different standards, we really felt that organizational consolidation would be the only way to simplify them. This is because when you can combine resources and relationships, you can have greater impact and more scale.

So independently, both of us had been through strategic planning exercises, where we both identify each other as good partners. And the reason for that is because the Integrated Reporting Framework and the SASB Standards are complementary. Both focused on how enterprise value is created over time, and both focused on communications to investors and/or providers of capital. Since the Integrated Reporting Framework is higher level and principles based and the SASB Standards are more detailed and include metrics, they are complementary for companies to use both the framework and standards. The SASB Standards help bring more comparability to the integrated reports.

When the SASB and IIRC were merging into the VRF, we did still hope that the IFRS foundation would ultimately step in. We were just ultimately surprised by the speed at which that happened. The VRF only existed a year and two months, because the IFRS Foundation moved so rapidly.

Fujii: A research report commissioned by the GPIF and written by us in 2019 noted that ESG disclosure frameworks and standards are becoming increasingly complex and there is a growing demand for simplification.

Eulitt: I think that the Study of ESG Information Disclosure Report that GPIF commissioned Nissay AM to do was one of the most comprehensive overviews of the sustainability disclosure landscape, and you pointed out in that report how fragmented the landscape was. I think that was very helpful to understand all the moving parts in the landscape. I think it was also very helpful for Japanese investors to understand the value of the SASB Standards compared to other frameworks and standards. We are also very pleased that your firm joined the SASB Investor Advisory Group shortly after this research.

Guillot: Such reports were so important, because they demonstrated the investor demand for simplification, which helped us to think about our own strategy, and could drive IFRS Foundation trustees' decision to create the ISSB. They are responding to market demand for simplification.

Global trend of sustainability reporting regulations and expected role of the ISSB

Hayashi: You mentioned earlier about fragmentation of disclosure standards. Recently, the U.S. and the EU have been strengthening their own disclosure regulations, and a new fragmentation of disclosure regulations has arisen. What are your thoughts on this situation?

Guillot: It is more painful for companies to have fragmented regulatory disclosure regimes.

What the ISSB aims to accomplish is the global baseline that can be used by regulators around the world as a foundational layer. This would establish comparable and consistent disclosure for investors, especially for global investors who invest in markets all over the world. The ISSB's goal is then to allow individual jurisdictions to add additional disclosure requirements to it as necessary based on their public policy objectives.

If you think about what happened in financial accounting in the past, there were well-established financial accounting standards around the world, and then the IFRS Foundation tried to consolidate those into international standards. However, sustainability disclosure is less mature and doesn't have such well-established bodies. So, it is more likely to start at the international level and then able to establish the global baseline for sustainability disclosure. That's what we hope can happen.

Fujii: I look forward to strong leadership from the ISSB, and now that the VRF is about to consolidate with the IFRS Foundation's ISSB, what are dreams that you two are envisioning?

Guillot: We definitely want to see regulators around the world use the IFRS Sustainability Disclosure Standards as a baseline. We should never lose sight of the fact that the goal of both the SASB Standards and the Integrated Reporting Framework always was to enable decision making by both companies and investors. So, we want the ISSB to leverage both, and make sure that there are tools that are used in both business and investor decision making at scale globally.

Eulitt: My dream is that investors and companies can see these things as decision making tools, and less of a burden for the preparers. Sustainability disclosure standards are so vital and necessary for companies to communicate with investors in a standardized way, and for investors to understand the nature of these risks and opportunities. This can create a tension between companies and investors, and then we can make progress on improving performance. It is not disclosure for the sake of disclosure. It is disclosure towards the end of improving performance on things that we all care about deeply. That's maybe a big dream, but I think it's possible.

Hayashi: What do you think is the role that investors should play in this situation?

Eulitt: We thank the SASB Investor Advisory Group for the success of the SASB Standards and the VRF. I think investors play an incredibly important role for the future success of the ISSB. Investor demand creates the necessary condition for regulators to act and step in.

So, we're grateful for Nissay AM's pioneering role as the first Japanese investor to join the SASB Investor Advisory Group, and hope that you'll carry on with us as we move forward to the ISSB Investor Advisory Group.

Fujii: Thank you, we are very happy to hear that. Nissay AM decided to join the SASB Investor Advisory Group in 2019, primarily because the SASB's philosophy aligned with our philosophy. We have been focused on ESG integration, and we have always stressed to companies the importance of ESG disclosure as it relates to corporate value, but disclosure was facing many challenges. Under such circumstances, we felt that a disclosure standard such as the SASB was necessary.

Eulitt: What are Nissay AM's thoughts on the ISSB's exposure draft?

Fujii: As you have already pointed out, we also believe that the establishment of a global baseline is important and that the ISSB has a significant role to play. The ISSB's exposure draft builds on existing frameworks such as the TCFD recommendations and the SASB Standards, and we believe that, overall, it is based on the needs of many investors.

Expectations of Japanese companies and investors

Fujii: Finally, please comment on your expectations for Japanese companies and investors.

Photograph: A scene from the online conversation
(Top left: Janine Guillot; top right: Katie Schmitz Eulitt; bottom left: Tomoaki Fujii; bottom right: Toshikazu Hayashi)

Eulitt: We're pleased to see the uptake of the SASB Standards in Japan, even though the standards were not available in Japanese until March of this year. So, I hope that as the standards are disseminated more widely in Japan the value of that industry-based approach will be better understood.

We often hear from conglomerates in Japan that it is challenging to implement the industry-based approach, but actually conglomerates in particular can use an industry-based approach for reporting in a very efficient way. We must work to make sure that companies understand that this is not a burden.

Guillot: I would add one thing, which is about the connection between integrated reporting and the SASB Standards. The Integrated Reporting Framework is so widely used in Japan, and we need to communicate more about the complementary relationship between the Integrated Reporting Framework and the SASB Standards.

Fujii: Thank you for taking time out of your busy schedule today to participate in this talk session. As a member of the forthcoming ISSB's Investor Advisory Group, we look forward to continuing to work with you on better disclosure regime.

Note: All content is shown as of the date of the conversation.

FY2021 Topics

Global trends	2021	NAM response and actions
• 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.	Apr	• 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." • Nissay Health Care Support Fund receives First Prize in the Japanese Equity ESG Fund Category of the R&I Fund Awards.
	May	• Announces endorsement of the 2021 Global Investor Statement to Governments on the Climate Crisis coordinated by the investor group The Investor Agenda. • The balance of the Nissay SDGs Global Select Fund reaches JPY 100 billion. • Establishes Sustainability Committee. • Decided on the slogan "A Good Investment for the Future."
• The Taskforce on Nature-related Financial Disclosures (TNFD) is established. Japan • A report by the Expert Panel on Sustainable Finance, established by the Financial Services Agency, clearly defines sustainable finance as "an infrastructure supporting sustainable economic and social system." • Corporate Governance Code revised	Jun	• 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. • Revises part of NAM's policy in response to Japan's Stewardship Code.
• The PRI and United Nations Environment Programme - Finance Initiative (UNEP-FI) publish a report on the pursuit of impact and fiduciary duty. • It is reported that the balance of assets under management in ESG investing worldwide exceeds USD 35 trillion.	Jul	• NAM provides sponsorship to an online conference organized by the International Corporate Governance Network (ICGN), and takes part in the panel discussion.
	Aug	• Holds the seminar "Climate Change and Sustainable Management."
• The PRI Digital Conference is held. • The TCFD publishes an updated Annex and additional guidance	Oct	• Lead Sponsor of the PRI Digital Conference.
• 26th Conference of the Parties to the UN Framework Convention on Climate Change (COP26) is held. • IFRS Foundation establishes the International Sustainability Standards Board (ISSB). • The Glasgow Financial Alliance for Net Zero (GFANZ) is officially launched. Japan • The PCAF Japan Coalition is launched by six Japanese financial institutions.	Nov	• Attends COP26, and takes part in several side events. • Participates in the PCAF Japan Coalition as a founding member.
	2022	
Japan • The Financial Accounting Standards Foundation establishes the Sustainability Standards Board of Japan (SSBJ) Preparation Committee	Jan	• Establishes and announces "2030 interim targets" for NAM's portfolio greenhouse gas emissions • NAM's George Iguchi, CCGO, is selected as a member of the SSBJ Preparation Committee.
	Feb	• Revises the proxy voting decision criteria for Japanese equities. • Receives the Bronze Award in the Ministry of the Environment 3rd ESG Finance Award Japan.
• The SEC announces proposed regulation on information disclosure related to climate change. • The ISSB publishes two exposure drafts: General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures.	Mar	• Supports the production of the "Beyond SDGs Game of Life" for SDGs education. • Donates lectures in "The SDGs and Finance, Economics, and Society" at the Faculty of Economics, Kyoto University. • Establishes the Sustainability Management Office inside the Corporate Planning Department. • Receives the 21st Century Financial Behavior Principles Best Effort Case Special Award Selection Committee Chairperson's Award (comprehensive category).
• The European Financial Reporting Advisory Group (EFRAG) publishes draft EU sustainability reporting standards. Japan • Tokyo Stock Exchange launches its new market segmentation (Prime Market, Standard Market, and Growth Market).	Apr	• Nissay SDGs Global Select Fund receives a prize in the Foreign Equity ESG Fund Category of the R&I Fund Awards. • Speaks at the 1st session of the webinar series "ESG: Ask an Expert," organized by the PRI. • Supports a course on pursuing the relationship between the ESG environment and stakeholders at Waseda University Graduate School.
	May	• Speaks at the 4th session of the webinar series "TCFD Capacity Building Series for China," organized by the PRI. • Joins CA100+
	Jun	• Declares support for the message by the Japan Climate Initiative (JCI): "Now is the time to accelerate the renewable energy deployment." • Speaks at the Asian C-Suite Discussion at the Investor Group on Climate Change (IGCC) Summit on climate change • Holds "NAM Seminar: At the Forefront of the Global ESG Trend"

PRI Digital Conference
President Ozeki presents the welcome speech
(broadcast on October 18, 2021)

The PRI Digital Conference, one of the biggest online conferences in the world, was held by the PRI over four days in October 2021. It featured heated discussions concerning a broad range of ESG-related topics.

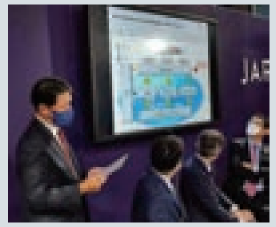
NAM's President and Chief Executive Officer Ozeki presented a welcome speech on the first day of the conference.

In the speech, President Ozeki described how NAM had been putting effort into ESG investing for over a decade, expressed a sense of urgency over climate change and called for all those concerned to cooperate in addressing it. He also praised the PRI's retiring Chief Executive Officer (CEO), Fiona Reynolds, for her work and actions.

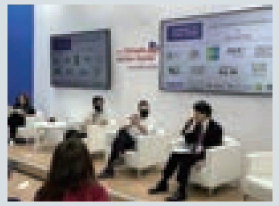
From October through November, NAM participated onsite in COP26, which was held in Glasgow, UK. Its representatives also participated as panelists at the following side events, and presented the initiatives and other actions undertaken as an asset management company in Japan.

President and Chief Executive Officer Ozeki participated in the panel session for "Towards Zero: Japanese Non-State Actors Tackling Climate Crisis," an event organized by the Japan Climate Initiative (JCI), and introduced NAM's initiatives and other actions to realize a decarbonized society.

Co-Chief Investment Officer (Co-CIO) and Head of ESG Investing Promotion Department Fujii participated in the panel session for "Further, Faster, Together: A State-Federal Partnership for a Net-Zero Future," an event organized by the Alliance for Climate Action (ACA), and described NAM's attitude and the significance of initiatives for net zero.



The presentation by President Ozeki (far left; November 8, COP26 in the Japan Pavilion seminar room)



Co-CIO Fujii speaks (far right; November 9, COP26 at the U.S. Climate Action Center)

Archived footage

JCI event "Towards Zero: Japanese Non-State Actors Tackling Climate Crisis"
https://www.youtube.com/watch?v=CSDCFjMvm5g

"Further, Faster, Together: A State-Federal Partnership for a Net-Zero Future," an event organized by the Alliance for Climate Action (*The panel discussion begins from 35 minutes and 53 seconds into the video recording)
https://www.youtube.com/watch?v=RgV41uAtKrk&t=3072s

NAM has had the honor of receiving prizes and commendations from the awards programs shown on the right.

NAM's President and Chief Executive Officer Ozeki accepts a certificate of commendation

3rd ESG Finance Award Japan: Bronze Award (investors section) (Sponsor: Ministry of the Environment)

• Finance Award Japan is an awards program established in 2019 by the Ministry of the Environment for the purpose of bringing about the spread, expansion, and qualitative enhancement of ESG finance.
• The award was presented in recognition of factors such as NAM's unique ESG evaluation framework, the refinement of its ESG evaluation analysis, the depth of its dialogue, and its implementation system.

Best Effort Case: Special Award Selection Committee Chairperson's Award (comprehensive category) (Sponsor: 21st Century Financial Behavior Principles)

• This program selects and awards examples of the best efforts by financial institutions that are signatories to the 21st Century Financial Behavior Principles, among their activities to contribute to the formation of a sustainable society.
• NAM's award recognizes its engagement and communication with stakeholders and its work in raising the presence of Japanese financial institutions through cooperation with overseas initiatives, among other efforts in Japan's finance industry, which requires internationalization.

Major Global Initiatives

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 5,000 signatories with a total of USD 120 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 initiative 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 approximately USD 61 trillion in assets (as of May 2022).
A proud participant of Climate Action 100+	Climate Action 100+ is an investor-led initiative that engages in cooperation and dialogue to ensure the world's largest corporate greenhouse gas (GHG) emitters take action such as strengthening climate change countermeasures and enhancing information disclosure.
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. The PCAF Japan Coalition, comprising PCAF member institutions in Japan, was launched in November 2021.
IFRS Sustainability Alliance	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. It was integrated into the IFRS Foundation in August 2022.
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 investing 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 be at the forefront of challenges with other countries and strive to overcome the crisis of climate change.

Investment Team

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.

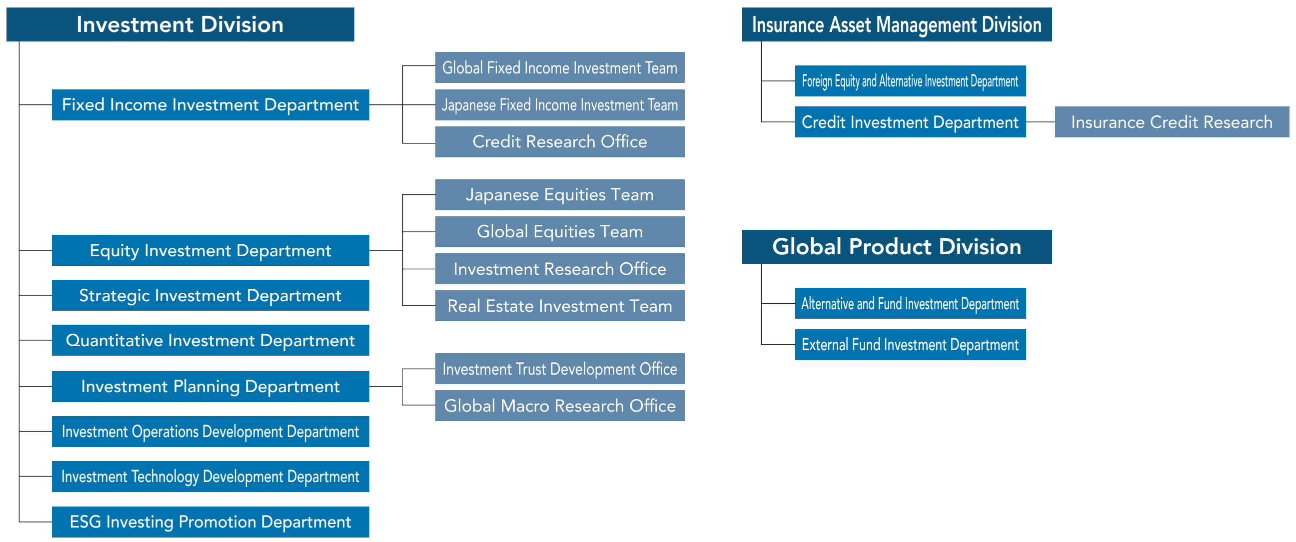
Environment enabling dedication to investment

In 2016, we established the Investment Operations Development Department to centralize the administrative work of investment front desk 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.

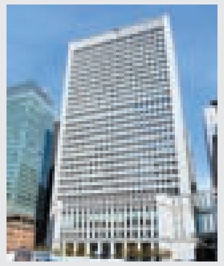
R&D activities that pursue new alpha sources

Seeking new investment opportunities, we engage in R&D 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



Company Profile As of March 31, 2022



◆ Headquarters

Corporate name	Nissay Asset Management Corporation
Equity capital	Approximately JPY 76.0 billion
Shareholder	Nippon Life Insurance Company (100%)
Number of employees	Approximately 670
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 June 30, 2022

President and Chief Executive Officer	Hiroshi Ozeki
Executive Vice President	Toshihiro Nakashima
Director	Masayoshi Tsuda / Hitoshi Hayakawa / Keisuke Kawasaki / Hiroshi Kobayashi / Daisuke Fukayama
Director (part-time)	Makiko Fuse*1 / Etsuro Kuronuma*1 / Masataka Hama*1 / Yosuke Matsunaga / Hideyuki Imanishi
Member, Board of Auditors	Hirotaka Murohashi
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 sustainability and 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.
- Investment trusts are products containing risks. Their management results change in response to the market circumstances and other factors, and the investment performances (profits and losses) should all belong to the investors. They are not such products in which investment principals and/or yields are guaranteed.
- Before purchasing any investment trust, investors should read prospectus and fund documentation to form their own judgment and assessment in advance of any investment decision to fully understand the risks and expenses related to financial instrument transactions.
- Investment trusts are not insurance policies or deposits with financial institutions, and are not protected by the Insurance Policyholders Protection Corporation of Japan or the deposit insurance. Investment trusts purchased from financial institutions other than securities companies are exempted from compensation by the Japan Investor Protection Fund.
- This report is based on information, data, etc. that NAM deemed to be reliable, but no guarantee will be made by NAM on their accuracy or completeness.
- Past performance and forecasts presented in this report should not be taken as an indication or guarantee of future performance.
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審査確認番号:法広2022-347、2022-EX25

NISSAY
ASSET MANAGEMENT

Nissay Asset Management Corporation

Inquiries:

https://www.nam.co.jp/english/index.html

Call toll-free within Japan Cell phone/PHS compatible

0120-762-506

Call center operating hours
9:00 a.m. to 5:00 p.m. JST (excluding Saturdays, Sundays, and holidays)