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ESG Investment and Financing

Related Key Priorities in Sustainability
Contribute to shaping a sustainable society through asset management

Since its founding, Nippon Life has based its life insurance operations on the spirit of "co-existence, co-prosperity, and mutualism." With this in mind, we have made efforts to conduct sound management from a long-term perspective, while giving the highest priority to maximizing benefits for our customers. In the asset management field, we have carried out investment and finance that contributes to the public good.

Nippon Life believes that ESG investment and finance, which considers Environmental (E), Social (S) and Governance (G) issues, is an approach that seeks to support activities to achieve the SDGs* from investment and finance perspectives. Concurrently, the Company believes that ESG investment and finance essentially shares the same foundation as the asset management approach it has long emphasized—one that considers profitability, security and the public good. Accordingly, Nippon Life is convinced that ESG investment and finance is an approach that will raise the sophistication of its traditional investment and finance decisions from medium- and long-term perspectives.
In the past few years, Nippon Life has been further strengthening its ESG investment and finance activities since it signed the United Nations Principles for Responsible Investment (PRI)* in 2017. In March 2021, Nippon Life established the ESG Investment Strategy Office as an organization to advance overall ESG investment and finance activities.
Nippon Life will continue to push ahead with ESG investment and finance activities. In doing so, the Company aims both to contribute to the realization of a sustainable society and to improve investment returns.

*SDGs (Sustainable Development Goals) are international goals adopted by the UN General Assembly in September 2015, consisting of 17 targets shared by the world for sustainable development and 169 targets.

*PRI are a set of principles aiming to realize a sustainable society by proposing that institutional investors incorporate ESG issues in their investment decisions.

Moreover, Nippon Life views climate change as an important ESG risk for asset management and has supported activities aimed at promoting decarbonization at investee and borrower companies through funding and dialogue. Against this backdrop, to further strengthen measures to address climate change, Nippon Life has endorsed the Japanese government's policy to target net zero emissions of greenhouse gases by 2050 and will aim to achieve a net zero target by 2050 for emissions in the Company's asset management portfolio*.

*Activities will begin by targeting emissions of domestic stocks and corporate bonds.

ESG Investment and Financing Policy

In light of its social responsibilities as a life insurance company, Nippon Life will conduct asset management based on consideration for environmental, social and governance issues across all assets from medium- and long-term perspectives, according to asset and regional characteristics. By conducting such asset management, Nippon Life will work to coexist with the environment, communities and society, and to share sustainable growth with the global economy and other companies, along with striving to secure long-term, stable investment returns.

1. Nippon Life will consider ESG perspectives in investment and finance processes across all assets, as it strives both to contribute to the realization of a sustainable society and secure long-term, stable investment returns. Moreover, in bond investments, financing and related activities based on ESG themes, the Company will confirm whether the use of funds will help to solve environmental or social issues. In addition, Nippon Life will make environmentally and socially considerate real estate investments.
2. As part of constructive dialogue with investee companies, Nippon Life will conduct dialogue based on ESG themes, along with implementing appropriate stewardship activities. In the process, Nippon Life will support the sustainable growth of investee companies.
3. As part of dialogue with investee companies, Nippon Life will request improvement in disclosure of not only financial information but also non-financial information including ESG perspectives. In parallel, Nippon Life will conduct surveys and research on how information should be disclosed appropriately.
4. Nippon Life will make efforts to enhance and share its investment process through sharing ESG investment and financing expertise with its subsidiaries and information exchange with signatory companies, industry groups, and so on, as well as studying advanced case of ESG investment and financing.
5. Nippon Life will contribute to stimulating activity in the ESG investment and financing market by publicly disclosing the status of its ESG investment and financing and proactively communicating opinions related to ESG investment and financing through participation in international conferences and so on.

Major ESG Investment and Financing Methods

Under its ESG Investment and Financing Policy, Nippon Life utilizes various ESG investment and financing methods while also considering asset characteristics. Nippon Life will remain free of any bias toward any one method. It will apply a variety of methods to secure profitability and simultaneously contribute to the realization of a sustainable society, as it strives to increase benefits for customers.

＜ESG Investment and Financing by Nippon Life＞

■ Integration

Nippon Life believes that it is crucial to consider ESG factors such as environmental, social and governance issues to expand long-term, stable investment returns. Accordingly, we will incorporate ESG factors into all asset management processes.

Nippon life will make investment and finance decisions by gathering and evaluating ESG information with methods tailored to asset characteristics, while factoring in ESG evaluations based on whether they will impact corporate value and creditworthiness, together with performing traditional analysis such as financial analysis.
Nippon Life will apply the expertise of Nissay Asset Management Corporation, which has been engaged in the ESG field over many years, to ESG evaluations.

〇Stocks
We will evaluate the ESG activities of investee companies based on factors such as information obtained from dialogue with investee companies and information from ESG ratings agencies.
We will make investment decisions by factoring ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the corporate value of investee companies, together with performing quantitative evaluations of earnings projections and valuations.

〇Finance
We will evaluate the ESG activities of borrower companies based on factors such as information obtained through on-site company visits of borrowers.
We will conduct credit assessments of projects by factoring ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the creditworthiness of borrower companies, together with performing quantitative evaluations of financial analysis, lending conditions and other factors.
In project finance, we will conduct credit assessments of projects considering factors such as environmental and social risks and refer to standards such as the Equator Principles. We will also consider ESG factors in the credit assessments of individual projects, in addition to assigning internal ratings based on ESG factors.

〇National Government Bonds
We will evaluate the ESG activities of investees based on international statistics, information from ESG ratings agencies, and other data.
We will make investment decisions by factoring ESG evaluations into qualitative evaluations of the analysis of investment targets, based on whether they will impact the creditworthiness of investees, together with performing quantitative evaluations of economic and financial analyses, interest rate levels and other factors.

〇Corporate Bonds
We will evaluate the ESG activities of investee companies based on factors such as information obtained from dialogue with investee companies.
We will factor ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the repayment ability of investees, together with performing quantitative evaluations of financial analysis, interest rate levels and other factors.

〇Real Estate
We will proactively acquire environmental and social certifications for investment property by setting environmentally friendly building standards, along with pushing ahead with the introduction of equipment to conserve energy and reduce CO2 emissions.
In the process of selecting real estate contractors, we will confirm the status of their environmental and social activities in construction work and the procurement of materials.

〇Indirect Investment
We will confirm external managers' policies on ESG and the status of activities such as ESG integration, while considering investment strategies and asset characteristics. We will consider these factors in making investment decisions.

*In March 2021, Nippon Life transferred certain investment management functions such as corporate bond investment to its subsidiary Nissay Asset Management Corporation. Integration is being carried out in accordance with the measures described above.

■ Engagement
As an institutional investor that makes long-term investments, Nippon Life conducts constructive dialogue with investee companies in its stock and bond portfolio as part of its stewardship activities. By doing so, Nippon Life encourages medium- to long-term improvement in corporate value and seeks to derive benefits in the form of shareholder returns, stock price appreciation and stable repayment of principal and interest on corporate bonds, thereby paving the way for growth in investment returns, along with aiming to realize a "safe, secure and sustainable society." In addition, to support the growth of sustainable companies even more than before, Nippon Life is promoting dialogue

activities focused on the core theme of ESG.

When deciding whether to vote for or against proposals, Nippon Life does not make sweeping decisions based on quantitative standards, but rather engages in dialogue to make detailed judgments based on factors such as its understanding of the individual status of each company and its initiatives for improvement.

In bond investments, Nippon Life conducts dialogue focused on the theme of ESG issues. In addition, we encourage issuers to issue ESG bonds and so forth to spur the creation of investment opportunities.

■ ESG-Themed Investment and Finance

Nippon Life is proactively carrying out investment and finance for which the use of funds is linked to the theme of achieving the SDGs, with the assumption that profitability will be secured. In the implementation process, Nippon Life conducts monitoring activities such as confirming the use of funds.

Under the previous medium-term management plan (2017-2020), Nippon Life set a quantitative target for ESG-themed investment and finance of JPY 700 billion and achieved the target around one year ahead of schedule. Under the current medium-term management plan (2021-2023), Nippon Life has newly set a target of JPY 1,500 billion for the cumulative amount of investment and finance to be made since FY2017 and is working to achieve this target.

○Impact Investment

In addition, we aim to generate a positive impact on the environment and society alongside earning a financial return. To this end, we also carry out impact investing, an approach that measures our performance in terms of the impact we are having on the environment and society. We will continue to increase our investment while exchanging information with leading investors around the world.

＜Status of Progress against the ESG-Themed Investment and Finance Target of JPY 1,500 Billion＞

	April 2017 - December 2020
ESG-Themed Investment and Finance	Approximately JPY 943.6 billion

■ Negative Screening

In light of the mission and public nature of the life insurance business, we prohibit investing in and financing companies that manufacture Cluster Munitions, Biological Weapons, Antipersonnel Landmines, and Chemical Weapons.

In addition, there has been rapidly growing international interest in climate change in response to initiatives such as the SDGs and Paris

Agreement adopted by the United Nations. With this in mind, we have embraced a policy, not to engage in new investment and financing in coal-fired power generation projects anywhere in Japan or overseas.

■ Other

〇Environmentally-Friendly Real Estate Investment

We conduct environmentally-friendly real estate investment by, for example, actively introducing highly energy-efficient equipment when constructing new buildings and updating facilities. Furthermore, we acquire third-party certifications, such as BELS*, as part of efforts to visualize the energy-saving performance of buildings.

*Based on the guidelines summarized by the Ministry of Land, Infrastructure, Transport and Tourism and abbreviated as Building an Energy-efficient Labeling System, third-party organizations objectively evaluate and display the energy consumption data related to buildings such as offices.

〇CSR Loans

We support CSR loans by offering preferential interest rates for loans to individuals and companies that are engaging in activities that take into consideration the global environment, and for loans to corporate customers that are actively engaged in providing child-rearing support.

Nippon Life Insurance Group Initiatives

＜Nippon Life Signs The United Nations Principles For Responsible Investment＞

We signed PRI in 2017 to realize a sustainable society. We acquired the highest assessment grade, A+, in the four modules for two consecutive years for Strategy and Governance, Listed Equity – Incorporation, Listed Equity – Active Ownership and Property in the annual PRI assessment targeting 2019 activities.

＜Adoption of the Equator Principles＞

We first adopted the Equator Principles, which are international guidelines that take consideration for the environment and society in terms of project financing and other issues, as an Asian insurance company in April 2019. In accordance with adoption of these principles, we are undertaking monitoring of compliance after carrying out loans, along with assessments on environmental and social impact in decision-making processes for project financing.

- the Equator Principles

＜Agreement with the Recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)＞

We agreed with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB).

We will work to enhance disclosure concerning various core elements of TCFD-recommended climate-related financial disclosures, such as governance, strategy, and risk management. As an institutional investor (asset holder), we will take steps such as encouraging investees to disclose information, with the view to contributing to the formation of a sustainable society.

＜Participation in the ESG Disclosure Study Group＞

In June 2020, we participated in the ESG Disclosure Study Group, which will carry out research related to the disclosure of ESG information.

＜Collaboration between Nissay Asset Management and overseas asset management services＞

We are investing in funds for which Nissay Asset Management collaborates with overseas asset management services of our Group in managing them. Through this initiative, we will share our know-how about ESG investment and financing with Group companies, and share and improve operational processes. Moreover, as a Nippon Life Group we will contribute to the realization of a sustainable society.

【Examples of Investments】

・Nippon Life Announces Investment in a Global Equity Investment Fund(February 2017)
・Nippon Life Announces Investment in the Global SDGs Equity Investment Fund (June 2018)
・Nippon Life Announces Investment in the SDGs European Corporate Bond Investment Fund (March and September, 2019)

Major ESG Financing and Investment Examples

＜Impact Investment＞

Impact Investment through Investment in a Healthcare Venture Fund

We have invested in a fund managed by the affiliates of Grove Street Advisors, LLC through a fund managed by our subsidiary Nissay Asset Management Corporation.
This fund will invest in companies seeking to generate social impact mainly in the area of healthcare.

(September, 2020)

Source: GroveStreet

Impact Investment through Private Equity Fund

We are going to invest in a fund managed by TPG Capital L.P. and its affiliates through a fund of funds managed by Nippon Life's subsidiary Nippon Life Global Investors Americas, Inc. TPG Capital L.P. is a top-tier fund manager engaged in impact investments.
This fund will invest in companies seeking to generate a positive impact that helps to solve environmental and social issues.

(July, 2020)

(The image is for illustration purposes)
Source：TPG

＜Environment＞

Financing of Offshore Windfarm Project in Akita

This project is Japan's first commercial offshore windfarm project and will support the expanded use of renewable energy in Japan.

(February, 2020)

(Rendering)
Source: Akita Offshore Wind Corporation

Financing of Onshore Windfarm Project in AUSTRALIA

We provided financing for an onshore windfarm project in the Australia. This project will contribute to the widespread adoption of renewable energy in Australia.

(December, 2018)

Source: Hallett 4 Pty Limited

Financing of Offshore Windfarm Project in U.K.

We provided financing for an offshore windfarm project in the U.K. This project will contribute to the widespread adoption of renewable energy in the U.K.

(December, 2018)

Source: Firebolt RB Holdings Limited

Investment in Tokyo Green Bonds

The funds raised are used to develop smart energy cities, to develop cities that are comfortably cool and clean, and to adapt to the effects of climate change.

(October, 2017 and October, 2018)

Source: The Tokyo Metropolitan Government

Investment in SRI Bond Issued by Landwirtschaftliche RENTENBANK

The funds raised are used to make finance loans that help promote renewable energy such as wind power and solar power in Germany.

(September, 2017)

Source: gettyimages

Investment in Domestic Renewable Energy Fund

We invest in domestic large-scale photovoltaic power generation business through investment in domestic renewable energy fund which GE EFS Energy Japan affiliated with General Electric Company owns.

(June, 2017)

Source: Pacifico Energy Corporation

Wind Power Project Financing

This financing was used for a wind power generation project in Kawazu Town, Kamo District, Shizuoka Prefecture being advanced by Eurus Energy Kawazu Corporation, a special purpose company wholly owned by Eurus Energy Holdings Corporation.

(March, 2016)

Source: Eurus Energy Holdings Co., Ltd.

Investment in Green Bonds Issued by the City of Paris and Transport for London.

The funds have been used for environmentally conscious projects such as the Green Project promoted by the City of Paris (involving the introduction of energy-efficient trams and other matters), introduction of solar power generation systems on London Transportation Bureau station buildings and introduction of hybrid buses and electric buses.

(July, 2014 and April, 2015)

From: London Transit Authority
Annual Report
2013/14 pp. 68-69

Environmentally Considerate Real Estate Investment

Nippon Life actively installs facilities for limiting CO2 emissions when new buildings are constructed or building facilities are upgraded. In fiscal 2014, NIPPON LIFE MARUNOUCHI GARDEN TOWER received DBJ Green Building Certification "Five Stars*" as a real estate property with high environmental and social awareness. In fiscal 2015, the building acquired LEED-CS Certification* "Gold".

(Fiscal 2014, Fiscal 2015)

*DBJ Green Building Certification "Five Stars" is a certification system for real estate showing consideration for the environment and society and carried out by the Development Bank of Japan and Japan Real Estate Institute. "Five Stars" is the highest rank in the five stages of certification.

*"LEED-CS Certification" refers to the Core & Shell Division of Leadership in Energy & Environmental Design (LEED), one of the most popular environmental indicators in the world. LEED is sponsored by the U.S. Green Building Council, and tenant buildings are under this category.

CSR Loan

We provide interest rate incentives to support individuals and corporate customers undertaking environmentally considerate initiatives.

＜Society＞

Investment in Sustainable Development Bonds Issued by the World Bank

The sustainable development bonds are the first the World Bank has issued to raise awareness of nutrition challenges. Through investment in these bonds, Nippon Life will support efforts to solve nutrition problems, with a view to realizing a globally healthy society.

(October, 2020)

Source: World Bank

Investment in University of Tokyo FSI Bonds issued by the University of Tokyo

The funds raised by these bonds will be used for Future Society Initiative (FSI) projects, which refer to various research and education projects that contribute to the achievement of the SDGs. The University of Tokyo will use the funds to develop cutting-edge, large-scale research facilities for research based on new global strategies for the post COVID-19 era and to improve its campuses to make them safer, smarter and more inclusive for the societies living with COVID-19 and its aftermath.

(October, 2020)

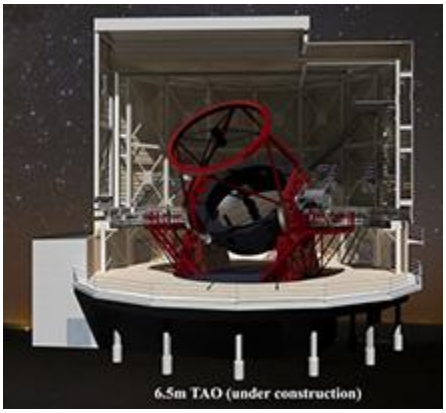
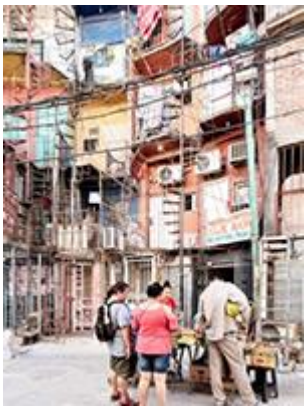


Photo Courtesy of TAO Project

Investment in Sustainable Cities Bond Issued by the Inter-American Development Bank (IADB)

The Sustainable Cities Bond is used for the purpose of sustainable urban development, such as improving residential environments in Latin American and Caribbean countries that were heavily impacted by the COVID-19 pandemic.

(July, 2020)



Source: IADB

Investment in Overseas Strategic Venture Fund

The funds raised are used to make investments in FinTech (Insurance, Asset Management, Wealth Management, Investment Infrastructure, etc.) and "Insurance + α" (Childcare, Care of the Elderly, Healthcare, etc.)

(April, 2018)

Investment in Overseas Farmland Investment Fund

The funds raised are being used to contribute to resolving the social issue of "Food Security" by achieving the stable supply of food, the stabilization of farmers' incomes, and environmentally-friendly farmland operations.

(April, 2018)

Source: Hancock Natural Resource Group, affiliated to Manulife Asset Management Group

Financing of Desalination Project in Australia

This financing was used to provide a drought control measure in Australia, which has experienced a number of severe droughts in its history.

(October, 2017)

Source: AquaSure Pty Ltd.

Investment in Social Bond Issued by the International Financing Corporation

IFC's Social Bond is used to finance projects that will benefit people who are unable to receive essential services in developing countries, including those impacted by the COVID-19 outbreak. The Social Bond also provides support to low income earners who have inadequate access to daily necessities and services in developing countries, and offers assistance to small and medium-sized enterprises led by women in emerging markets.

(July, 2017 and April, 2020)

Source: IFC Social Bond Impact Report FY2019

Financing to PPP Project to Develop Healthcare Campus in Turkey

This financing was used for the largest hospital complex in the country where the number of beds is insufficient.

(July, 2017)

Source: Renaissance Group

Investment in a Healthcare Bond Issued by BPCE S.A.

The funds raised are used to provide financial services for regional medical institutions, health facilities and social accommodation, as well as to support residential medical care and nursing care activities in France.

(July, 2017)

Investment in Theme-type Bonds Issued by the African Development Bank

The funds financed by this bond are used for such projects as improving access to drinking water and public health for people in Africa.

(December, 2016)

Investment in Social Bonds Issued by Japan International Cooperation Agency (JICA)

The funds raised are used to projects that contribute to resolving social issues in developing countries (reducing poverty, sustainable economic growth, etc.)

(September, 2016)

Photo：KenshiroImamura/JICA

Investment in a Woman Bond Issued by the Banco del Estado de Chile

The funds raised are used to support programs for women's empowerment and offer loans to female entrepreneurs.

(August, 2016)

Real Estate Investment Reflecting Health and Safety Considerations

Nippon Life Hamamatsucho Crea Tower has earned the WELL Health-Safety Rating*, a global health and safety rating. It marks the first WELL Health-Safety Rating earned by an insurance company in the world.

(August, 2020)

*WELL Health-Safety Rating is a new rating unveiled in June 2020 by the International WELL Building Institute (IWBI) of the U.S. The rating evaluates how well a property is operated and managed in consideration of the health and safety of staff and individuals who use the facilities.

CSR Loan

We provide interest rate incentives to support small and medium-sized business customers who are actively engaged in childcare support.

*The logo attached to the above case symbolizes our belief in the main goal of contributing to SDGs through investment and financing.

＜Corporate Governance＞

Initiatives Related to Japan's Stewardship Code

In undertaking stewardship activities, Nippon Life engages in dialogues with investee companies on a variety of topics including management plans, business strategy, shareholders returns policy, and corporate governance.

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