



Feb 8<sup>th</sup>, 2024

# PRI APAC Climate Risk webinar series

## Governance and risk



# 1. Overview of Nissay Asset Management

## Overview

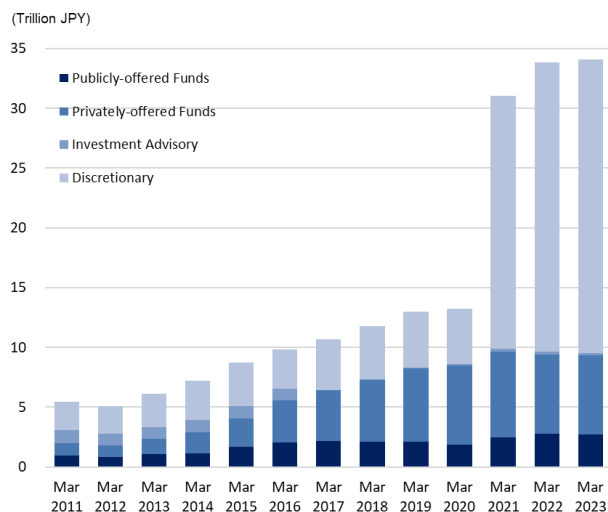
### 【Firm Facts】

Company Name : Nissay Asset Management Corporation (NAM)  
 Established : April 1995  
 Number of Personnel : 709  
 AUM : ¥34.0 trillion (approx. \$256 billion)  
 Ownership : Nippon Life Insurance Company 100%  
 Overseas Entity : Nippon Life Global Investors Singapore Ltd.  
     - NAM 51%  
     - Schroders 33%  
     - Nippon Life 16%

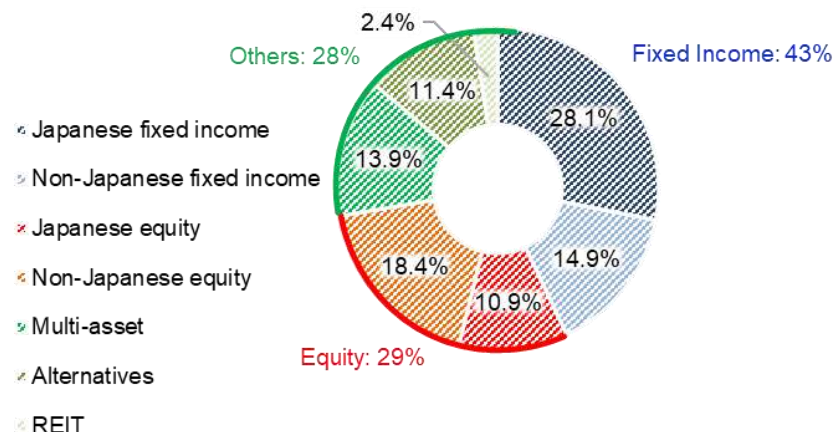


**NISSAY**  
ASSET MANAGEMENT

Development of AUM



AUM by asset type (excl. general account)

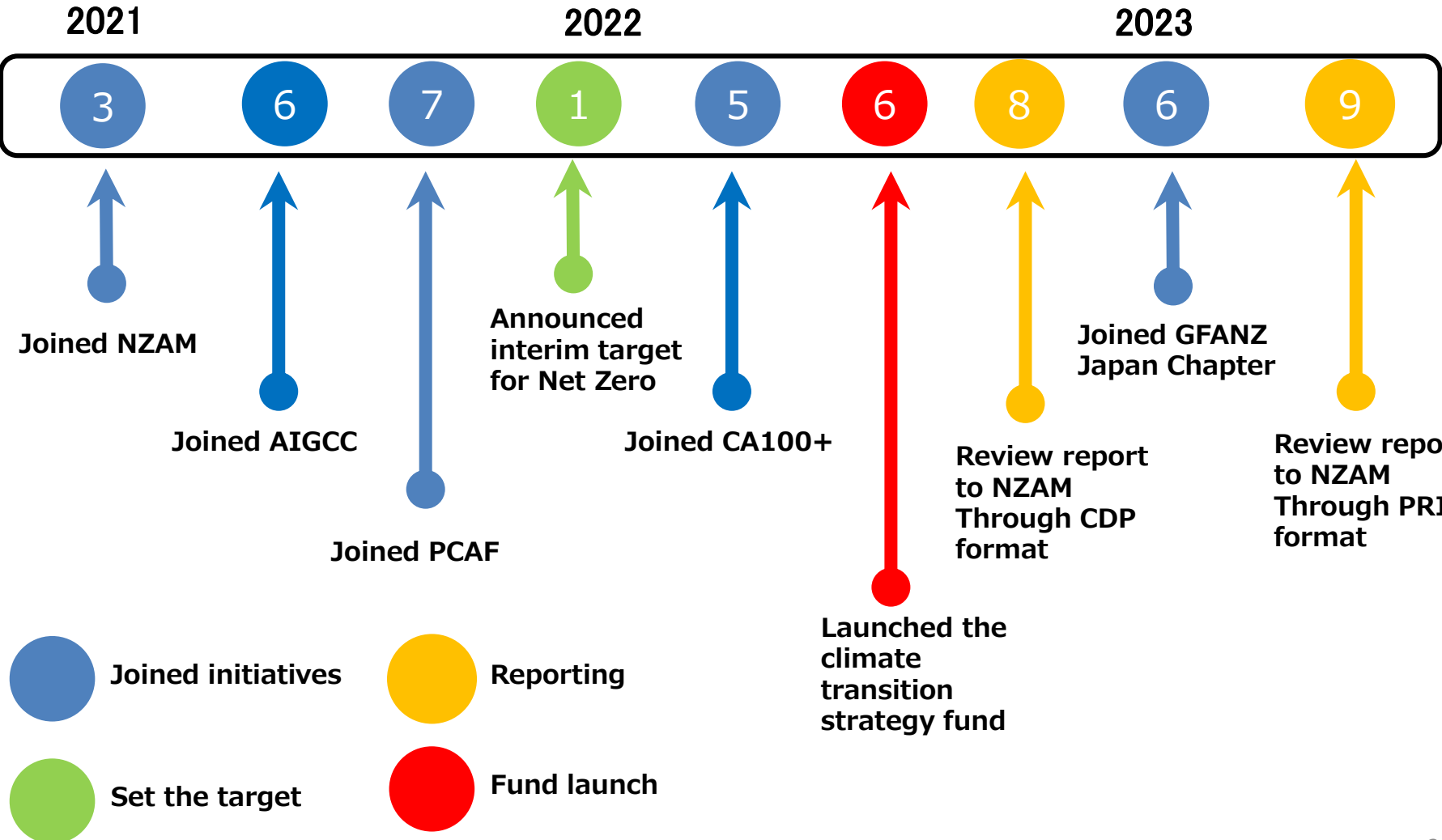


Source: Nissay Asset Management, as of 31 March 2023, for illustration purposes only

# 2. History of Climate initiatives



## History (by month)



Source: Nissay Asset Management , for information purposes only

### 3. Setting the target (1)

## Target

All of Equity and Credit investment

### 2030 interim targets

Proportion of assets under management for which we aim for net zero	59.6% <sup>*1</sup>	Carbon footprint <sup>*2</sup> reduction target (by 2030)	50.0%
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\*1: This includes 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. All equities and credit investments are targeted (excluding long-short funds). Most of the assets excluded are sovereign bonds and alternative assets for which a method to calculate the portfolio's GHG emissions was not yet established when the interim targets were set. We plan to gradually expand the coverage while keeping an eye on the development of calculation methods.

\*2: The total of all GHG emissions from investee companies attributable to NAM (Scope 1 & 2), for both equities and corporate bond investments, divided by total investment. The 50% reduction target is based on scientific insights presented in the IPCC Special Report on Global Warming of 1.5 °C. The methodology proposed by the Partnership for Carbon Accounting Financials (PCAF) is used to calculate GHG emissions attributable to NAM. Services provided by MSCI were used in this calculation.

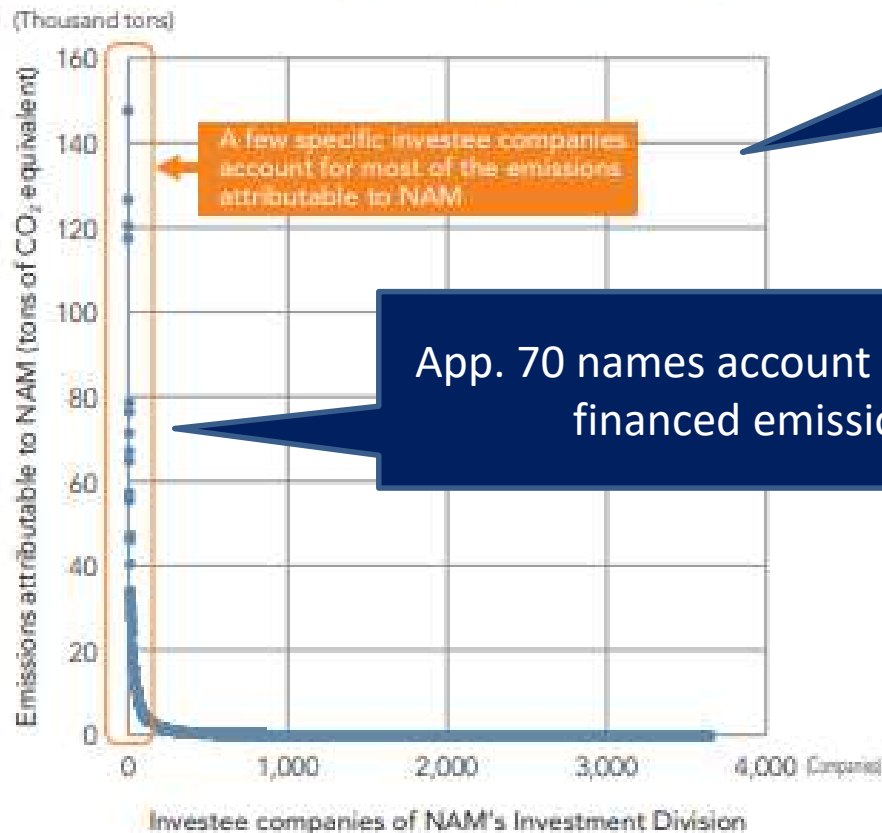
Source: Some data were reproduced with the permission of ©2023 MSCI ESG Research LLC.

Resolved by the Board of Directors

### 3. Setting the target (2)

#### Distribution of financed emission

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



We manage financed emission by individual company basis

App. 70 names account for 70% of financed emission

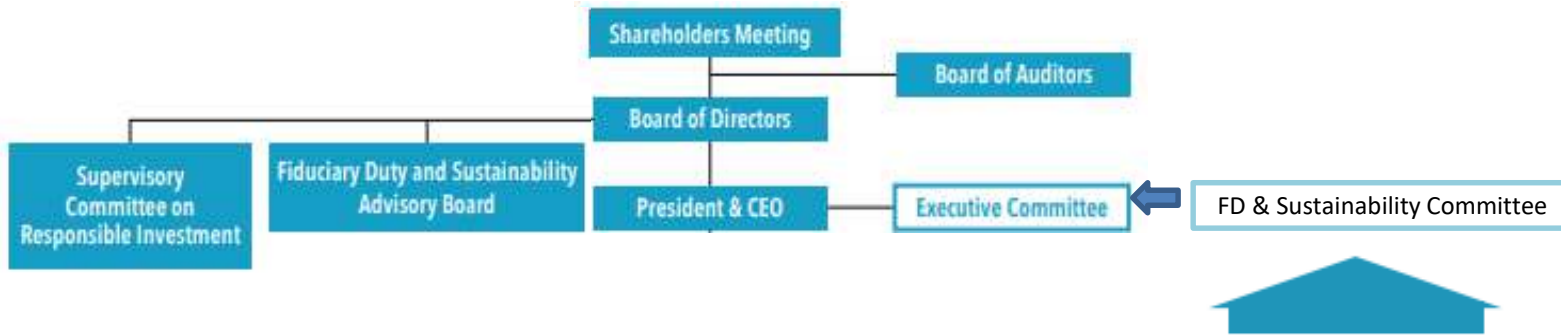
A few specific investee companies account for most of the emissions attributable to NAM.

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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# 4. The process of “Plan ⇒ Do ⇒ Check ⇒ Action” (PDCA)

## PDCA Process



6 project teams  
to enhance  
sustainability

<p><b>Human resources strategy</b></p> <ul style="list-style-type: none"> <li>Establishing a human resources strategy for the next medium-term management plan</li> <li>Identifying a purpose</li> <li>Implementing and considering communication revitalization measures</li> </ul>	<p><b>Financial education</b></p> <ul style="list-style-type: none"> <li>Considering financial education policies for the next medium-term management plan</li> <li>Implementing classes at educational institutions utilizing financial &amp; investment literacy handbooks and "The Game of Life -Beyond SDGs"</li> <li>Offering lectures at universities, etc.</li> </ul>
<p><b>Enhancing ESG investing</b></p> <ul style="list-style-type: none"> <li>Developing ESG balanced funds</li> <li>Developing ESG bond funds</li> <li>Horizontally developing impact /transition funds</li> </ul>	<p><b>Environmentally friendly business</b></p> <ul style="list-style-type: none"> <li>Reducing the amount of copy paper used and the amount of waste produced by each employee by 50% compared to FY2019</li> <li>Reducing CO<sub>2</sub> emissions</li> </ul>
<p><b>Sustainability branding</b></p> <ul style="list-style-type: none"> <li>Considering our sustainability advertisement strategies and disclosures</li> </ul>	<p><b>Reducing portfolio CO<sub>2</sub> emissions</b></p> <ul style="list-style-type: none"> <li>Implementing engagement practices that companies can rely on</li> <li>Promoting net-zero emissions among external managers</li> <li>Setting reduction goals for sovereign bonds and other assets under management</li> <li>Exploring products that contribute to achieving net-zero emissions</li> </ul>

## 4. The process of “Plan ⇒ Do ⇒ Check ⇒ Action” (PDCA)

### Overview of Climate project team

#### Team members from...      Role of each persons in charge

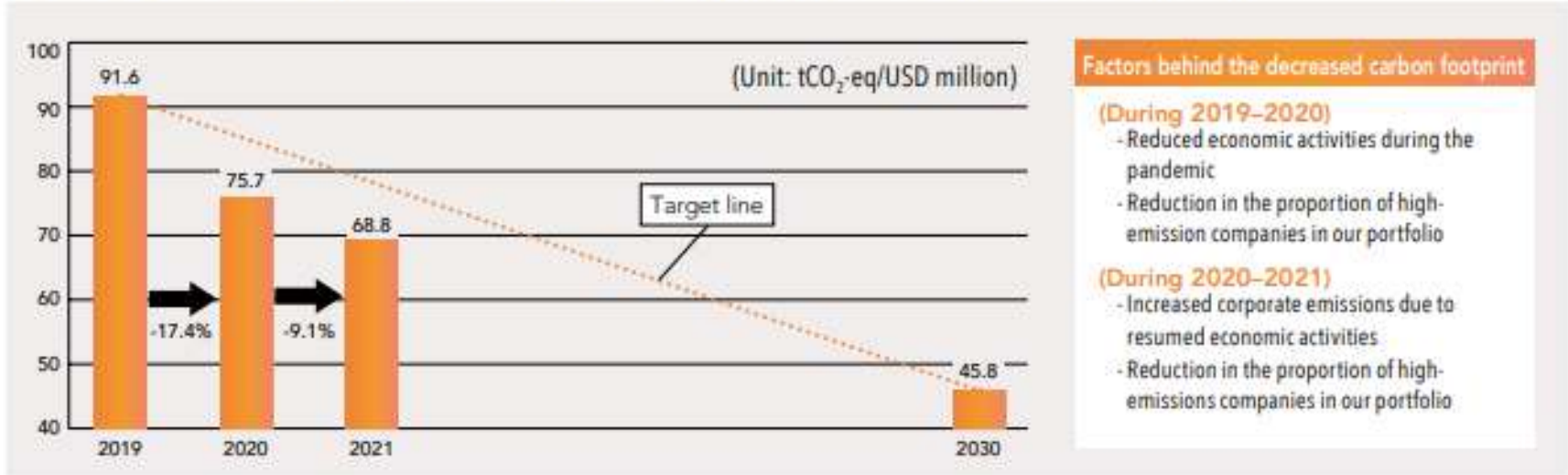
In-house Investment Division	Organizing the project team GHG monitoring / Strategy / Engagement / Status check / Disclose
Insurance Asset Investment Division	In-house : GHG monitoring / Engagement 3 <sup>rd</sup> Party : Share our view / Engagement
Global Product Division (3rd Party products)	Share our view and engage with 3 <sup>rd</sup> Party manager
Institutional Marketing Division	Explain our thoughts on Climate to clients Education (holding Seminar and webinar, reports)
Investment Trust Marketing Division	Explain our thoughts on Climate to sales agencies Reports on theme



# 5. GHG Monitoring

## Changes in the carbon footprint

🔍 Changes in the carbon footprint of our portfolio (equities and corporate bonds)



### Factors behind the decreased carbon footprint

#### (During 2019–2020)

- Reduced economic activities during the pandemic
- Reduction in the proportion of high-emission companies in our portfolio

#### (During 2020–2021)

- Increased corporate emissions due to resumed economic activities
- Reduction in the proportion of high-emissions companies in our portfolio

Note: The coverage of figures is only up to 2021 because the most recent available data on investee companies' GHG emissions was for FY2021 at the time this report was prepared (July 2023). Services provided by MSCI were used in this calculation.

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# 6. Engagement

## Key engagement points for high GHG emission sectors

- Targets for achieving net-zero emissions in line with the 1.5°C scenario
- Scientific approach to achieving the targets
- Effective reduction strategies to achieve net-zero emissions
- Actual results and forecasts of emissions, including Scope 3 emissions, which are highly important
- Consistency between the net-zero targets and capital expenditures
- Governance, strategy, risk management, and metrics and targets regarding climate change in alignment with TCFD

## Examples of engagement with high GHG emission companies

### 1. General trading company A

Company A has set a 2030 interim target for Scope 1 and 2 emissions and is committed to achieving net-zero emissions by 2050. In addition, it places emphasis on the renewable energy sector and has been making commendable efforts, such as disclosing its reduction contribution metrics. During engagement, we discussed the significance of developing a concrete and effective roadmap towards achieving net-zero emissions, encompassing Scope 3 emissions which constitute a large proportion of the total. Meanwhile, the company recently revealed the emission volume of the largest category within Scope 3, offering a more comprehensive view of emissions across the supply chain. They are also progressing in disclosing their roadmap, and we intend to continue discussions about the effectiveness of their initiatives aimed at achieving net-zero emissions.

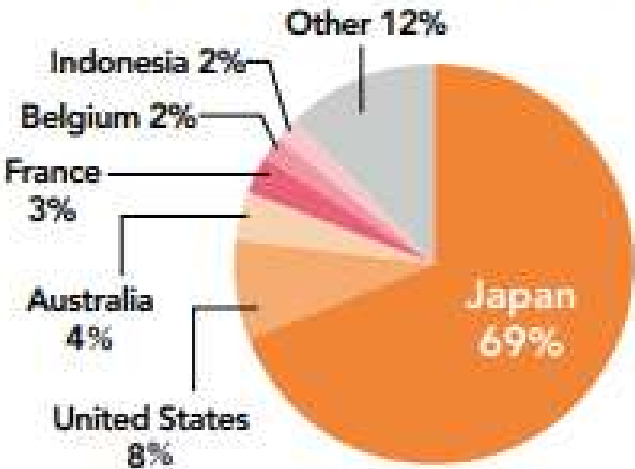
### 2. Electric power company B

Company B has also announced its emission reduction targets for 2030 and 2050. On the other hand, due to their heavy reliance on thermal power generation, they face many technical and fundraising obstacles, rendering it challenging for us as investors to ascertain accurate future prospects. Hence, in our engagement with Company B, we consistently discussed specific strategies to realize their targets. In the most recent meeting with their management, we learned of their positive intent to disclose details about these strategies. The company is also making progress in disclosing decarbonization initiatives on their website. While the electric power sector confronts numerous hurdles in attaining net-zero emissions, it holds a pivotal role in Japan's broader pursuit of net zero. To enhance the predictability of Japan achieving net zero, we will persist in our engagement with the company, promoting ongoing initiatives.

# 7. Sovereign GHG

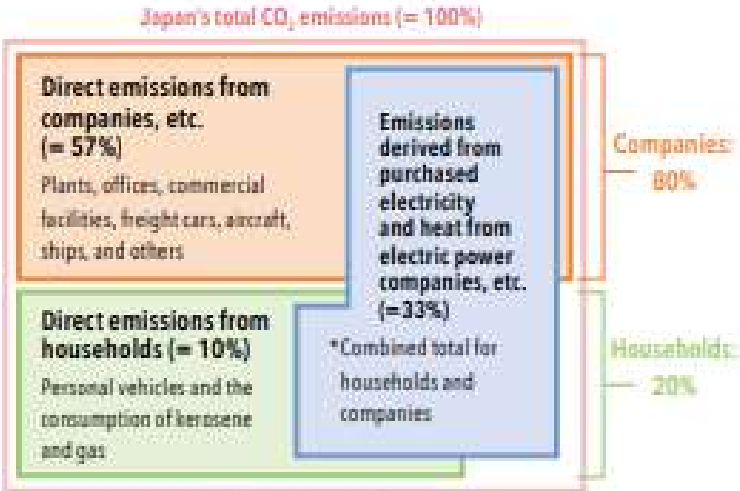
## Distribution of GHG from sovereign

**Total carbon emissions from our sovereign bond portfolio by country**



Note: The portfolio is as of December 2019

**Breakdown of Japan's emissions (as of 2021)**



Note: CO<sub>2</sub> emissions account for about 91% of Japan's total GHG emissions. The remaining portion consists of methane and other gases.

Source: Prepared by NAM based on materials from the Ministry of the Environment

## 8. Risk monitoring

### Monthly Risk monitoring for each fund

	Portfolio A	Universe or Benchmark
# of companies with CDP A grade in the portfolio	24/57 (42%)	902/8969 (10%)
# of companies with SBT	23/57 (40%)	-
Carbon footprint (t/\$M)	56.6	77.6
Weighted ave. Carbon intensity (t/\$M)	70.4	94.6
CVaR 1.5°C (%)	-10.1	-11.6
CVaR 2°C (%)	-10.1	-13
CVaR 3°C (%)	-13.5	-16.6

These data are on the monthly fund reporting material for each fund, reported to Investment Committee.

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