

Investor Case Study

Nippon Life Insurance Company (“Nippon Life”)

January 2026

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Greetings

A few years ago, in 2019, TIIP partnered with the Sasakawa Peace Foundation to examine the state of sustainable investing in Japan. At that time, we saw a rapidly growing interest in sustainable and impact investing strategies, but also a persistent gap between enthusiasm and adoption among mainstream investors.

We identified four key barriers: limited visibility of sustainable investing practices, persistent myths about its performance, a lack of practical tools, and fragmented policy support. Our Agenda for Action laid out concrete steps to address each of these—including empowering influential voices, building capacity, and creating a shared knowledge infrastructure.

What's exciting—and honestly inspiring—is how much the market has evolved since then. Nippon Life Insurance stands at the forefront of this transformation. Under the leadership of Takeshi Kimura and others, Nippon Life has not only embraced sustainable investing; it has moved the conversation forward—introducing systems thinking into the investment strategy of one of Japan's largest institutional investors.

Nippon Life's concept of being “future makers”—not just “future takers”—signals a profound shift in mindset. It reflects the recognition that institutional investors are not passive observers of the future, but active participants in shaping it.

Over the past decade since introducing system-level investing, I've made this case: that modern finance must reckon with compounding systemic risks; that system-level investing is a fiduciary-grounded upgrade linking portfolio value to the health of the systems that sustain it; and that the field is now moving from beliefs to blueprints. In practice, that means recognizing the “fallacy of composition”—what works at the firm level doesn't automatically add up to system resilience—and designing strategies that influence market rules, standards, and policy alongside security selection.

Nippon Life is a leading example of this evolution: clarifying beliefs, integrating systems thinking, advancing transition-finance standards, and engaging peers and policymakers to mitigate economy-wide risks. That is precisely how long-term investors safeguard beneficiaries' interests in an era when beta is shaped by system health.

This case study highlights those achievements. But more importantly, it offers a vision of what's possible when long-term investors begin to think in systems, invest in systems, and build for the long term.

William Burckart
CEO
The Investment Integration Project (TIIP)



William Burckart

Greetings

I believe that responsible investment should be reframed from the perspective of fiduciary duty. The future of responsible investing lies in system-level investing. This belief is grounded in the experience of Nippon Life Insurance Company and its enduring commitment to serving both its policyholders and society at large.

Nippon Life is Japan's largest insurance institution. Our policyholders represent more than ten percent of the nation's population. In a recent survey, over eighty percent of them expressed the expectation that we should pursue sustainability outcomes alongside financial returns through our investment activities. From a systems-thinking perspective, environmental stability, social well-being, and financial performance are profoundly interconnected. Long-term market returns ultimately depend on the health and resilience of the environmental and social systems that underpin them. Hence, by finding more effective ways to pursue sustainability outcomes, we also strengthen long-term financial returns.

The essential point is to recognize how the interconnectedness of sustainability challenges amplifies system-level risks. Traditional ESG integration tends to address environmental and social issues separately, focusing primarily on entity-level risks. In reality, however, these challenges are deeply intertwined. For instance, addressing climate change can generate inflationary pressures as negative externalities become collectively internalized across the economy. If widening inequality remains unaddressed, rising inflation will further erode the purchasing power of low-income households, diminishing their well-being. When that occurs, society's momentum toward net zero weakens, making the transition even more difficult to achieve. In short, efforts to combat climate change may fail to reduce system-level risks if they overlook the interconnectedness among sustainability challenges.

Building on this broader understanding, Nippon Life has developed a new way of thinking about responsible investment that we call *P-squared Investing* — connecting People and Planet. It is not People plus Planet, but People times Planet. The idea is simple, yet it captures a fundamental truth: if we restore the planet but fail people — or vice versa — it's like multiplying by zero; the outcome is zero. That cannot be called responsible investment. For fiduciaries, it is not value-enhancing at the system level.

People's well-being and natural capital are inseparably linked—each depends on the other. We therefore cannot treat *People* and *Planet* as distinct objectives. We must address both together, not merely to manage entity-level ESG risks, but to sustain the overall health and resilience of the entire system. This is the essence of P-squared Investing: the fiduciary foundation of our approach to system-level investing.



Takeshi Kimura

Investors can take a wide range of actions to address system-level risks. These actions can be organized into two strategic pillars. The first is *guardrails* — investor-defined internal boundaries that ensure investment activities do not undermine the vitality of environmental and social systems. They apply consistently across the investment process, from asset allocation to entity-level stewardship. The second is *standard-shaping*, which includes field-building and system-level stewardship. These are outward-facing efforts that extend beyond one's own investment actions to influence industries, markets, and policy frameworks, thereby elevating common rules and expectations. Importantly, these two pillars are connected by *norm-setting*.

At Nippon Life, we have established the P-squared perspective as a norm. It is embedded internally as the design principle for our investment guardrails, and externalized as a compass for our standard-shaping activities. In other words, it functions as the foundation for both internal discipline and the outward expression of our values. Guardrails and standard-shaping are like the two wheels of a single vehicle, connected by norm-setting as the axle. Only when combined strategically can they address system-level risks effectively.

To strengthen these two pillars, our current focus is on the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), where I serve as a Steering Committee and Working Group member. While the TCFD and TNFD focus on the planet-side, TISFD focuses on the people-side. It provides the essential bridge that connects *People* and *Planet*. Contributing to the development of common frameworks such as TISFD is, in itself, a form of system-level investing.

Alongside such standard-shaping efforts, it is equally important to establish clear guardrails. Once the TISFD framework is fully developed, it will enable investors to do exactly that—to set clearer social guardrails and promote more consistent investment practices to mitigate system-level risks arising from inequality. This is precisely the direction Nippon Life is pursuing in our journey toward system-level investing.

Takeshi Kimura
Special Adviser to the Board
Nippon Life Insurance

About



Nippon Life Insurance Company (“Nippon Life”) is the core company of the Nippon Life Group, which consists of multiple companies operating life insurance and asset management businesses in the Asia-Pacific region and globally. With around 15 million clients and ¥83,549 billion in assets, Nippon Life is the largest private asset owner in Japan.¹ It is a universal owner and has invested in and financed approximately 3,300 companies across a range of industries.² Since its founding in 1889, Nippon Life has based its life insurance operations on the spirit of “co-existence, co-prosperity, and mutualism.”³ Its mission is “to firmly keep our long-term promises to our customers.”⁴

“While it is possible to earn excess returns (alpha) by investing in companies with innovative technologies through funds specialized in climate solutions, this alone is not sufficient to address system-level risks. If high GHG-emitting sectors are not decarbonized, their negative externalities will undermine the business foundation of many companies, and overall market returns (beta) will be greatly reduced. Therefore, making the entire financial system sustainable is essential for institutional investors to improve the long-term investment performance of their overall portfolio. This is why “systems thinking” is required of responsible investors.”

— *Takeshi Kimura, Special Adviser to the Board, Nippon Life Responsible Investment Report 2024*

System-level Investing Strategy

UNLESS OTHERWISE SPECIFIED, THE DESCRIPTIONS IN THIS CASE STUDY
ARE PRIMARY BASED ON INFORMATION AS OF JANUARY 2025.

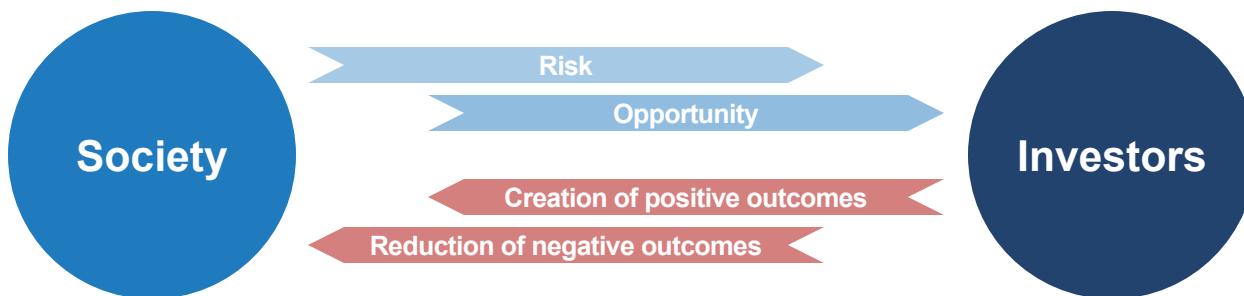
Nippon Life's sustainable and system-level investing strategy is rooted in a belief that considering Environmental, Social, and Governance (ESG) factors as part of investment and finance can enhance long-term investment returns (see Figure 1). It takes seriously its long-term commitments to its policyholders and believes that long-term investment, the environment, and society are interconnected – and that the environment and society are the foundation of all companies' business activities. It also believes that integrating ESG considerations into investments and dialogue with investee companies can (1) help improve environmental and social sustainability, decrease risks, and increase corporate value and, in turn, (2) enhance business outcomes and mid- and long-term investment returns.⁵

Articulated in its 2024 responsible investment report, Nippon Life holds the belief that investors should address system-level risks because such risks threaten all companies and can therefore deteriorate market returns on a global scale. Nippon Life views systemic risk as investment risk and that managing its investments in this way is essential to carrying out its responsibility to its policyholders and its identity as a “future maker” instead of a “future taker.”⁶

It is important to note is that Nippon Life is an unlisted company, because while some companies may seek short-term profits on behalf of their shareholders in potential conflict with their stakeholders, Nippon Life does not have shareholders and, therefore, is required to act solely in the best interests of its policyholder stakeholders. Nippon Life considers itself a relatively neutral company whose sustainable and system-level investing strategy is driven by its policyholders' preferences.⁷ In 2022, Nippon Life began surveying its policyholders to better understand their perspectives and values regarding sustainability so that Nippon Life could reflect those views in its sustainable and system-level investment processes. Findings from the 2024 survey of approximately 25,000 policyholders include:⁸

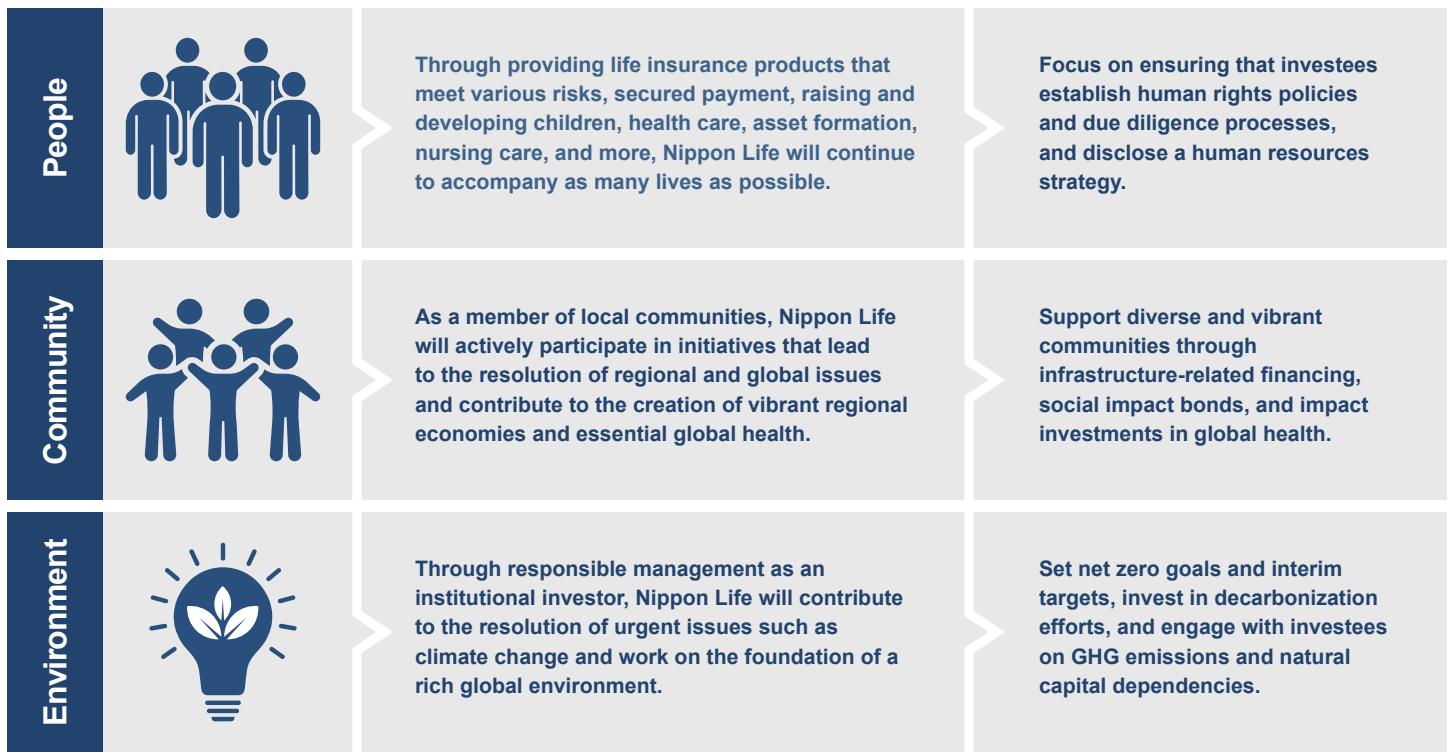
- 67% of respondents believe that Nippon should consider the SDGs as part of its investment strategy if doing so improves long-term financial returns;
- 32% of respondents expect that Nippon Life should prioritize the SDGs over financial returns; and
- Climate change is the sustainability issue that policyholders are most concerned about.

Figure 1. Nippon Life's approach to responsible investment



Source: Nippon Life, Responsible Investment Report 2024.

Figure 2. Nippon Life's sustainability management focus areas



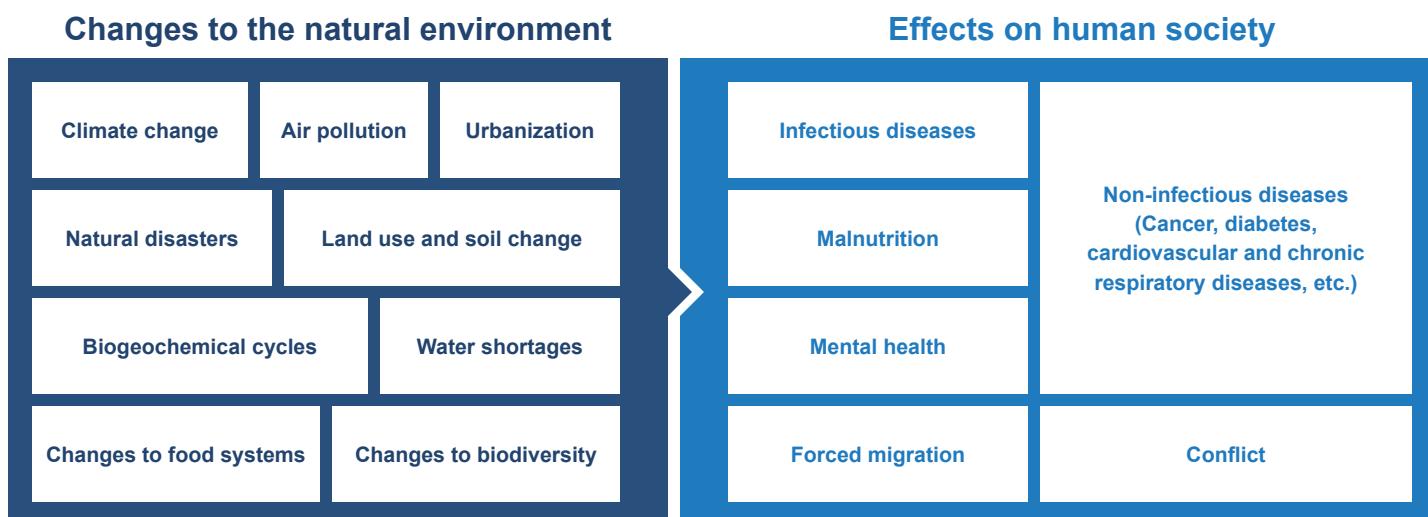
Source: Nippon Life, Investor Presentation, July 2024; Nippon Life, Responsible Investment Report 2024.

As of 2023, Nippon Life defined its sustainable and system-level investing efforts as focused on three areas – people, community, and environment – and four core approaches: (1) strengthening ESG integration, (2) promoting themed investment and finance, (3) strengthening stewardship activity, and (4) implementing four-stage milestones in bilateral engagements with companies.⁹ The specifics of Nippon Life's focus and approach are summarized in Figure 2 and detailed in the pages that follow.

Across these three core sustainability areas, and using the noted approaches, Nippon Life is increasingly focused on addressing the systemic environmental issue of climate change: “Nippon Life believes maximizing influence to achieve real-world decarbonization objectives

to mitigate the systemic risk of climate change is aligned with Nippon Life’s long-term business strategy.”¹⁰ While Nippon Life sets portfolio-level sustainability goals, it goes further to ensure that its activities are being informed by overarching system-level goals related to climate change.¹¹

Moreover, Nippon Life recognizes the interconnectedness of systemic issues, such as with the concept of planetary health – the idea that striving for a sustainable society includes considering the interconnectedness of people and planet because changes in the environment can affect human health and potentially destabilize living conditions. Nippon Life posits: “To achieve sustainable coexistence between the Earth and humanity, we must address both global and social issues.”¹²



Source: Nippon Life, Responsible Investment Report 2024.

Further, Nippon Life believes that addressing systemic risks is fundamental to upholding fiduciary responsibilities as an investor. It writes, "...even for beneficiaries who are only interested in financial returns, the achievement of the SDGs is actually very important from a long-term perspective. Environmental and social sustainability underpins the business foundations of all companies around the world, and if it is undermined – if the SDGs are not achieved – market returns will deteriorate on a global scale. If this happens, institutional investors will not be able to fulfill their fiduciary duties. No matter how well diversified their investments are, they will not be immune to the impact of system-level risks, such as global warming or biodiversity loss, that threaten the business foundations of all companies."¹³ Within this statement is an identification of the relationship between systemic risks and investment returns, as well as a push for all investors – as fiduciaries – to make decisions that consider system-level challenges.

Nippon Life's Sustainability Committee is responsible for operationalizing its sustainable

and system-level investing approach, which includes formulating company-wide policies, determining progress in addressing sustainability issues, and establishing policies for external disclosure. It is also responsible for informing the Risk Committee about the results of risk recognition, assessment, and scenario analysis concerning climate change. Further, given Nippon Life's commitment to integrating sustainability into its fundamental management principles, the Sustainability Committee also serves as an advisory body to the Management Committee.¹⁴ Furthermore, Nippon Life recently established working groups for each of its sustainability priority areas (people, community, and environment), which report to its Sustainability Committee. These groups convene monthly and provide a forum for discussion on the firm's sustainability management across a range of sustainability management efforts. Nippon Life holds regular meetings with its Responsible Investment Working Group and Sustainability Information Sharing Group to share updates on its asset management activities and industry trends related to sustainability, respectively.¹⁵

Implementation

1. Extending conventional techniques

A. Statement of Investment Beliefs

Nippon Life asserts its beliefs and policies regarding sustainable and system-level investing, ESG considerations, and the interconnection between investment, the environment, and society through its adoption of three statements: Japan's Stewardship Code, its investment philosophy, and its "Responsible Investment Guidelines."

Japan Stewardship Code. In 2014, the Council of Experts established by Japan's Prime Minister and Financial Services Agency produced Japan's Stewardship Code named "Principles for Responsible Institutional Investors." The Code was designed to state the "responsibilities of institutional investors to enhance the medium- and long-term investment return for their clients and beneficiaries by improving and fostering investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability consistent with their investment management strategies."¹⁶ It originally included seven principles, which expanded to eight upon the Code's revision in 2020.¹⁷ Nippon Life adopted the Stewardship Code in 2014 and has since used its principles to improve information disclosure through dialogue with investees.¹⁸

Investment Philosophy. Nippon Life's investment philosophy, comprised in the "Fundamental Management Principles of Nippon Life," opens by re-iterating that its business is based on the overarching belief in "co-existence, co-prosperity and mutual aid." This belief is "closely connected with the welfare of the people" and serves to govern Nippon's activi-

ties as a life insurance company responsible for maintaining the trust of its policyholders. In line with "precepts of Conviction, Sincerity and Endeavor," the "Fundamental Management Principles of Nippon Life" are as follows:

1. [Nippon Life] will provide insurance products which are truly needed with a wide range of services, and give first priority to fulfill [its] responsibilities to the policyholders.
2. [Nippon Life] will, in recognition of the public service aspects of the life insurance business, make appropriate investments, and contribute to the elevation of the social welfare level.
3. [Nippon Life] will improve further [its] productivity and raise the Company's performance in every aspects, with creativity based on wisdom and convincing execution.
4. [Nippon Life] will raise the living standard of all our employees through the prosperity of the Company. [It] will also strive to improve the qualities of [its] employees as good members of society.
5. As a member of the life insurance industry, [Nippon Life] will take a cooperative position with autonomy, and contribute to cultivation of public understanding for life insurance and development of this industry.

These principles together establish the foundation of Nippon Life's overall approach to investments and decision-making that is aligned with the best interests of its policyholders. Nippon Life believes that its policyholders deserve not only prosperity and strong returns but also a quality of living and environment that support prolonged health and well-being – all of which rely on healthy and resilient social and environmental systems.

Responsible Investment Guidelines. Nippon Life's "Responsible Investment Guidelines" comprise 10 statements covering a range of focus areas, including ESG evaluation in the investment process, portfolio allocation rules, sustainability outcomes and the SDGs, engagement and stewardship, participation in ESG-related initiatives and policy, and knowledge sharing. Notably, these statements emphasize the need for ESG evaluation across all asset classes, such that doing so will create a "consistent evaluation system across all asset classes." According to Nippon Life, doing so is essential not only for identifying what companies are focused on considering ESG factors, but also for understanding corporate value over the mid- to long-term.¹⁹²⁰

Underpinning its approach to responsible investment is the belief that Nippon Life can and should participate in shaping outcomes for the environment and society. Rather than simply responding to ESG risks and opportunities, it aims to intentionally contribute to sustainability outcomes. Nippon Life articulates a unique perspective on ESG integration: "Globally, the environment for ESG investment and finance has changed dramatically. Until now, the dominant approach has been to assume actual society as a given and then contemplate incorporating the risks and opportunities arising from actual society into the investment process. In contrast, the approach of integrating perspectives on solving environmental and social issues (shaping outcomes) into the investment process, rather than treating actual society as a given, is currently expanding in society."²¹ With this, Nippon Life demonstrates a nuanced worldview, in which society and its underlying systems are not permanent or unchangeable – they are malleable, and investors play a part in the shaping.

B. Security Selection and Portfolio Construction

Per its Responsible Investment Guidelines, Nippon Life integrates ESG considerations into its investment analysis across all asset classes and alongside its conventional financial analyses.²² For example, Nippon Life assigns proprietary ESG ratings to major securities and uses those to "influence investment decisions toward more sustainable options."²³ When incorporating ESG factors, Nippon Life utilizes data from third-party ESG data providers, data obtained through dialogues with companies, knowledge from its Group company Nissay Asset Management, and data from the companies' public disclosures.²⁴ *Table 1* summarizes how Nippon Life combines conventional and ESG evaluation methods to identify the least risky and most sustainable investments.²⁵ As part of its ESG integration approach, Nippon Life focuses on investing in companies that are producing environmentally-friendly products or contributing to the development of local communities.

Nippon Life also uses negative screening to prohibit investments in companies that perpetuate systemic environmental and social challenges. This includes those that manufacture cluster munitions, biological weapons, anti-personnel landmines, chemical weapons and nuclear weapons. It also prohibits investing in palm oil-related companies (excluding companies which are 100% Roundtable on Sustainable Palm Oil certified) and tobacco-related companies.²⁶ In line with a commitment to the SDGs and the Paris Agreement, Nippon Life does not invest in coal-related projects (excluding brownfield projects aligned with 1.5°C pathways), and oil and gas-related projects which are: (a) greenfield exploration projects and (b) related projects except resource explorations (excluding gas-related projects aligned with 1.5°C pathways).²⁷

Table 1. Summary of Nippon Life's conventional and ESG evaluation methods

Asset Type	Conventional Evaluation Methods	ESG Evaluation Methods
Stocks	<ul style="list-style-type: none"> • Financial analysis • Non-financial analysis • Future cash flow projection 	<ul style="list-style-type: none"> • Dialogue with companies • Utilization of Group resources • External information
Finance	<ul style="list-style-type: none"> • Financial analysis • Non-financial analysis • Creditworthiness evaluation 	<ul style="list-style-type: none"> • Dialogue with companies • Utilization of Group resources • External information
Sovereign Bonds	<ul style="list-style-type: none"> • Financial analysis • Non-financial analysis • Creditworthiness evaluation 	<ul style="list-style-type: none"> • Information obtained through exchange of opinions, etc. • External information (such as from ESG ratings agencies)
Corporate Bonds	<ul style="list-style-type: none"> • Financial analysis • Non-financial analysis • Creditworthiness evaluation 	<ul style="list-style-type: none"> • Dialogue with companies • Utilization of Group resources • External information
Real Estate	<ul style="list-style-type: none"> • Income and expenditure forecast • Due diligence 	<ul style="list-style-type: none"> • Environment-friendly building standards • Selecting real estate contractors (confirming their environmental and social consideration in construction work and materials procurement) • Environmental/social certifications

Source: Nippon Life, "Major Responsible Investing Methods."

C. Engagement

Nippon Life engages with investee companies on ESG issues and across its three core sustainability topic areas – people, community, and environment – towards the goals of (a) enhancing value over the mid and long terms and, in turn, enhancing investment returns, and (b) helping them contribute to “a safe, secure, and sustainable society.”²⁸ It pursues these goals through dialogue with companies, in particular the highest greenhouse gas emitting companies in its portfolio; milestone management to track responsive action and implementation progress; and collaborative engagement.²⁹

Nippon Life takes a long-term approach to its stewardship activities, recognizing that some results may take multiple years to achieve. It aims to support investee companies and help them achieve sustainable growth. Its approach to stewardship follows a five-step framework, detailed below:³⁰

- 1. Analysis of investee companies:** Stewardship staff and analysts review information on corporate performance, financial conditions, and industry trends to identify important issues for dialogue.
- 2. Dialogue:** Considering environmental and social factors alongside management and business strategies, and gov-

ernance, discuss important issues in the context of current state, challenges, and future priorities.

- 3. Measures to enhance dialogue effectiveness (escalation):** If ongoing dialogue does not generate evidence of awareness and proactive action, or if there is no significant progress over the mid- to long-term, enhance dialogue through various methods including: letters to management; discussions with senior leadership; discussions with independent directors; exercise of voting rights; and if issues cannot be resolved, divestment from holdings.
- 4. Exercise of voting rights:** While Nippon Life exercises its voting rights for all holdings, for companies with identified important issues, it will make decisions based on past dialogues actions to address these issues. For example, when multi-year engagement is ineffective, Nippon Life will consider voting against a company's proposals in accordance with its Guidelines for Exercise of Voting Rights or revisiting its investment position.
- 5. Monitoring:** Use financial statements and other indicators to assess progress of value-enhancing efforts and determine alignment with stated intentions.

Between July 2023 and June 2024, Nippon Life engaged with 695 companies on governance issues such as voting rights, shareholder rights, and governance structure through 1,168 dialogues. During that time, it engaged with 578 companies on environmental and social-related engagements through 796 dialogues. Among those, it conducted dialogues with 78 companies with high Scope 1 and 2 emissions and 43 compa-

nies with high Scope 3 emissions. According to Nippon Life, progress has been made in 85% of cases where issues were identified (269 cases total), translating to 54% of cases where issues were resolved (99 cases) and 31% of cases where improvement measures were disclosed (170 cases). Regarding emissions, 88% of top emitters of Scope 1 and 2 emissions in Nippon Life's holdings have disclosed the status of their emissions reduction roadmaps (69 of 78 companies).³¹

Nippon Life's 12-person Stewardship Promotion Team (part of its Equity Investment Department), 6-person Voting Rights Exercise Team, and 5-person team from within the Credit Investment Department are each responsible for various parts of the engagement process described above. Its Stewardship Advisory Committee, which consists of outside experts in addition to internal staff, provides overall guidance on engagement activities and oversees the management of conflicts of interest when exercising voting rights. The committee holds meetings approximately three times per year, the results of which are reported to the Board of Directors.³²

Focus on climate change. Nippon Life believes that achieving decarbonization in Japan requires the critical participation of high-emitting industries and, practically speaking, for issuers, borrowers, and companies to develop and disclose their transition strategies. It believes that investors have a responsibility to support and promote the implementation of these strategies through dialogue to "take on challenges to achieve decarbonization together, based on the common understanding between them."³³ In line with these beliefs, Nippon Life has:

- Engaged with approximately 78 of the top Scope 1 and 2 carbon emitting companies and 43 of the top Scope 3 carbon emitting companies from its portfolio. Together, these companies account for approximately 80% of greenhouse gas emissions from Nippon Life's investments in domestic listed equities and corporate bonds.³⁴
- Requested, since 2020, that all investee companies disclose on the two topics promoted by the Taskforce on Climate-related Financial Disclosures (TCFD): (1) quantitative and qualitative analysis and disclosure of business risks and opportunities associated with climate change, and (2) disclosure of the direction of greenhouse gas emissions reductions toward the goal of net zero emissions by 2050.
- Requested, since 2022, that its 78 top emitters of Scope 1 and 2 emissions develop and disclose emissions reduction roadmaps for achieving net zero by 2050. As a result, 69 (approximately 90% of the 78 targeted) companies have disclosed their roadmaps.³⁵ Furthermore, between April 2018 and March 2022, there has been an approximately 9% reduction in GHG emissions from Nippon's highest emitting companies.³⁶
- Requested, since 2023, that its 43 top emitters of Scope 3 emissions develop and disclose their efforts to reduce Scope 3 emissions – indirect emissions that come from business partners but are related to their own businesses. Currently, approximately 60% (24 companies) have disclosed their efforts for reducing GHG emissions.³⁷

Focus on natural capital. In 2024, Nippon Life requested, through dialogue, that its investee companies progressively enhance their initiatives and disclosures related to natural capital. Leveraging the ENCORE analysis tool recommended by TNFD, Nippon Life has prioritized engagement with its largest holdings as well as with companies in industries that are highly dependent on or have a significant impact on natural capital. Moving forward, Nippon Life plans to implement more formal requests to companies regarding natural capital dependency and impacts.³⁸

Focus on human rights and human capital. In 2023, and in response to 2022 government guidelines emphasizing that all companies should be making efforts to respect human rights, Nippon Life requested that all investees establish and disclose human rights policies and due diligence processes. Regarding human capital, in 2023 Nippon Life began requesting that investee companies establish and disclose a human resources strategy that is integrated into the management strategy. This strategy should include the likes of human resources development/acquisition, KPIs, and human resources allocation/utilization methods in the Mid-Term Management Plan or similar documentation. Nippon Life added this request for disclosure to its engagement priorities because it recognizes the importance of human capital in assessing corporate value.³⁹

Nippon Life amplifies its engagements with some companies through partnerships discussed in the “Self-organization” section below.

2. Leveraging advanced techniques

A. Field Building

Self-organization: Since 2017, Nippon Life regularly serves as the chair company of the Stewardship Activity Working Group of the Life Insurance Association of Japan and manages its collaborative engagement efforts. Its role in the working group goes beyond engagement activities themselves and includes broader encouragement of other life insurance companies to pay attention to – and take action on – environmental and social issues. The association provides an opportunity for life insurance companies to conduct collaborative engagement covering three main areas: enhancing shareholder returns; promoting integrated disclosure, including ESG information; and enhancing climate change-related disclosure.⁴⁰

More broadly, Nippon Life actively builds relationships and communicates about sustainability with a wide range of stakeholders from around the world, including financial institutions, governments, and local communities.⁴¹ Notably, one of Nippon Life's executives has served on the Board of Directors of the Principles for Responsible Investment (PRI) since 2021 and several of its staff members sit on the Japan Advisory Committee and Global Policy Reference Group for PRI. In 2023, Nippon Life was the first-ever asset owner and insurance company to serve as the lead sponsor for the annual PRI in Person conference in Tokyo, one of the largest events focused on sustainability and the investment industry that brings together institutional investors, policymakers, NGOs, and other stakeholders to discuss investment practices and a range of sustainability issues.⁴² Nippon Life has been a PRI signatory since 2017, and

in 2024 received an assessment of the highest grade of “5 stars” in four modules (Policy Governance and Strategy, Indirect – Listed Equity Active, Indirect – Fixed Income Active, Confidence building measures) and “4 stars” in one module (Indirect – Listed Equity Passive) for its 2023 activities.⁴³

Nippon Life joined the Net Zero Asset Owners Association (NZAOA) in 2021, an international initiative to address climate change. Through its membership, Nippon Life discusses information on scientific analysis related to climate change and greenhouse gas (GHG) measurement methods as part of its broader goal to contribute to the standardization of GHG emissions reporting across its portfolio and the sustainable investment and finance industry more broadly. Furthermore, NZAOA is also a forum for Nippon Life to socialize and continuously evolve its Transition Finance Framework (discussed above). One of Nippon's executives was appointed a member of the NZAOA Steering Group in 2022.⁴⁴

A third initiative in which Nippon Life plays an active role is the Glasgow Financial Alliance for Net Zero (GFANZ), a coalition that supports financial services sector participants who have committed to accelerating the transition to a net zero global economy.⁴⁵ It was established in 2021 during the COP26 climate conference in Glasgow and is comprised of a range of financial institutions and financial services sector participants committed to increasing the flow of private finance across all sectors of the global economy to scale decarbonization efforts. Nippon Life has been a member since its founding in 2021, and in 2023 its President was appointed a member of the Japan Chapter Consultative Group.⁴⁶

In 2025, Nippon Life joined the Taskforce on Inequality and Social-related Financial Disclosure (TISFD) as an alliance member. In addition, one of Nippon Life's executives serves on the TISFD Steering Committee. Through its participation in TISFD, Nippon Life is contributing to the advancement of corporate disclosure in the area of people's well-being.⁴⁷

Nippon Life is also a member of various other sustainability-focused industry organizations listed in *Table 2*.⁴⁸

Interconnectedness: In addition to its leadership on PRI's Board of Directors, as member of the Japan Advisory Committee and Global Policy Reference Group, and as lead sponsor of PRI in Person in 2023, Nippon Life has worked closely with PRI to help build the case for responsible investors to address systemic risks and apply system-level thinking to investing. For example, in October 2024 Nippon Life's Special Adviser to the Board, Takeshi Kimura, co-authored an article with PRI's Chief Sustainable Systems Officer, Nathan Fabian, which discusses how negative externalities generated by system-level risks such as climate change and widening income inequality can create unintended negative outcomes for investors. Thus, the role of investors – responsible investors, in particular – necessitates awareness and action on system-level risks. Just as system-level risks pose threats to investor portfolios, investors conversely have an ability to shape real-world sustainability outcomes and influence the health of underlying systems. By socializing system-level thinking with PRI's broad community of institutional investors, Nippon Life is supporting the advancement of investment practices and standards to include systemic risks.⁴⁹

Polity: Nippon Life also participates in policy discussions to encourage alignment between sustainability goals and policy actions.⁵⁰ It views such policy engagement as an essential component to a system-level investment approach: "Considering investment performance in the long run, the returns obtained from investee companies are significantly influenced by the stability of social and environmental systems. As these systems are heavily impacted by policies and regulations, policy engagement (interacting with policymakers) is an important means to build better systems."⁵¹ Nippon Life's policy engagement activities have included:⁵²

- Helping to prepare policy recommendations issued by PRI ahead of the G7 Hiroshima Summit, urging the G7 to ensure that sustainability disclosures are aligned to international standards, transition plans are included in mandatory climate-related disclosures, and corporations and investors disclose emissions accurately and consistently.⁵³
- Contributing to the development of a document that draws on PRI's "A Legal Framework for Impact" to offer recommendations to Japanese policymakers that would provide support to institutional investors in Japan who are integrating sustainability considerations into decision making.⁵⁴
- Involvement in an advocacy report published by the Life Insurance Association of Japan, "urging inter-ministerial measures to encourage companies" to disclose ESG information and policy support for carbon neutrality.
- Preparing letters to the G7 Finance Minister and Ministry of Finance Japan to

Table 2. Sustainability-related initiatives and organizations Nippon Life participates in

Initiative	Description/Purpose	Year Joined
Women's Empowerment Principles	Principles jointly developed by the UN Global Compact and UN Women, which Nippon Life signed on to as part of their efforts to promote the advancement of their 90% of employees that are women	2013
UN Global Compact	Universal principles on human rights, labor, environment and anti-corruption	2016
Taskforce on Climate-Related Financial Disclosures (TCFD)	Recommendations that seek to enhance disclosure related to climate change such as governance, strategy and risk management	2018
Equator Principles	International frameworks that take consideration for the environment and society in terms of project financing and other issues	2019
PFA21	Principles of conduct advocated for by the Ministry of the Environment, which will be used to develop initiatives supporting the realization of a sustainable society through business activities	2019
ESG Disclosure Group	Nippon Life participated in the ESG Disclosure Study Group, which carries out research related to the disclosure of ESG information	2020
Advance	International initiative with the aim of solving human rights and other social issues through engagement with companies	2022
Climate Action 100+	International initiative with the aim of solving climate change through engagement with companies that are high GHG emitters	2022
Taskforce on Nature-Related Financial Disclosures (TNFD)	International organization aiming to develop a framework for private companies and financial institutions to evaluate and disclose risks and opportunities related to natural capital and biodiversity	2022
Japan Hydrogen Association	Cross-industry organization working on social implementation of hydrogen-related technologies to support the realization of a hydrogen society that contributes to decarbonization and the transition to a sustainable society	2022
CDP	International NGO that provides companies and investors with a global information disclosure system for environmental information	2023
Impact Investment Initiative for Global Health (Triple I for Global Health)	Initiative approved by G7 leaders that aims to promote the mobilization of private capital into the global health field, especially in low- and middle-income countries	2023
Japan Impact-driven Financing Initiative	A collaborative initiative focused on promoting impact investment across a range of financial institutions and discussing different ways to integrate impact into corporate values.	2023
The Association for Promotion of Sustainable Finance Platform	Association established with the aim of developing a digital platform to promote ESG investment and financing and conducting value validation of its usefulness toward formal commercialization	2023
Spring	International initiative where investors collaborate to address natural capital challenges through dialogues with companies regarding issues such as deforestation and land degradation	2024
Taskforce on Inequality and Social-related Financial Disclosures (TISFD)	International initiative aiming to develop a framework for identifying, assessing, and disclosing financial risks and opportunities related to inequality and social factors.	2025

Source: Nippon Life, "Participation in Initiatives," Responsible Investment Report 2025.

request the acceleration of the energy transition, specifically communicating its views on the challenges related to Japan's Green Transformation (GX) and the importance of transition finance in achieving carbon neutrality.

- Participating in a study session with the Financial Services Agency to discuss impact investing and responsible investment in Japan, as well as a multi-stakeholder discussion with the Financial Services Agency, industrial sector, financial industry, and other experts on the status and challenges of responsible investment in Japan.

The Chairman of Nippon Life, Yoshinobu Tsutsui, serves as the Chairperson of the Japan GX Acceleration Agency, an organization established in July 2024 as part of the Japanese government's GX (Green Transformation) policy initiative to realize green transformation investment of over ¥150 trillion in the next 10 years. Its activities include providing financial support for GX projects, operating a carbon emissions trading system, collecting a surcharge on fossil fuel supply, and promoting research and collaboration among stakeholders on GX policies and practices.⁵⁵ Additionally, Japan's biggest business lobby, The Japan Business Federation (or Keidanren), appointed Yoshinobu Tsutsui as its Chairman in May 2025, citing "his deep connections to domestic business and outstanding knowledge of the global issue of decarbonization."⁵⁶

B. Investment Enhancement:

Standards Setting: In 2024, Nippon Life developed the Transition Finance Framework, which provides companies with practical

measures for meeting 1.5°C pathways. The framework was designed particularly for high-emitting companies and industries, recognizing their position as key leverage points for decarbonization. By showcasing concrete evaluation criteria for high-emitting sectors such as electricity and steel, the framework provides the financial sector and institutional investors with actionable standards for corporate disclosure and evaluation. The core principle of the framework is, "Transition finance is investment and loans for supporting a corporate's initiatives consistent with the Paris Agreement, which pursues the achievement of the 1.5°C target."⁵⁷

The framework is rooted in the five principles of Nippon Life's approach to transition finance:⁵⁸

1. Alignment with the Paris Pathway.

Nippon Life will conduct an assessment to determine whether a company's GHG emissions reduction plan is in line with an intentionally credible, science-backed pathway that is consistent with the Paris Agreement. The assessment will be based on detailed transition strategies, investment plans, and governance systems. For companies with GHG emissions reduction plans that are not aligned with the Paris pathway at the corporate-level, it will assess whether each individual "Use-of-Proceed" asset is aligned.

2. Technological Neutrality. As long as the company's GHG emissions reduction plan is consistent with the Paris Agreement, Nippon Life will support the company's activities, regardless of technologies used.

3. Monitoring and Dialogue. Nippon Life will accompany the company through monitoring and dialogue even after the investment is made, recognizing that emissions reduction plans are long-term.

4. Do No Significant Harm (DNSH). Nippon Life will promote transition finance in a way that does not cause significant adverse effects on other aspects of the environment.

5. Just Transition. Nippon Life will promote transition finance in a way that considers impacts on supply chains and local communities, and supports people whose employment may be impacted.

Per the Transition Finance Framework, determining whether transition finance will be provided to an issuer/borrower is based on a four-step evaluation method:



Importantly, step three evaluates the financial feasibility of the specific measures outlined in step two, to ensure that the profitability of the company will be maintained during the execution of the transition strategy. Ultimately, the four-step method is designed to assess the “reliability and feasibility” of a company’s GHG emissions reduction plan in alignment with the guidelines set by the International Capital Market Association (ICMA) and other international benchmarks. While plans are subject to change over time, Nippon Life expects its companies to meet annual disclosure requirements. Such disclosure is of paramount importance: “If the company fails to provide the investment plan and the long-term financial plan after the investment or loan execution, or fails to fulfill its accountability, it is considered as a violation of covenants, which will lead to revocation of transition finance eligibility.”⁵⁹

Nippon Life intentionally published the Transition Finance Framework publicly to help advance a common understanding of transition finance across a range of stakeholders and thereby support the evolving market for transition finance. The firm’s motivation in doing so was to promote the standardization of corporate disclosure and evaluation methodologies across the institutional investor landscape. In addition to bringing the framework into discussions with industry associations such as GFANZ and NZAOA, Nippon Life has also discussed the framework with public sectors, academic institutions, NGOs, and corporations as part of the whole-economy effort needed for decarbonization.⁶⁰ Thus far, the framework has been well received for its principles-based approach, which provides a clear definition of transition finance: investments and loans for supporting a corporate’s initiatives consistent with the Paris Agreement,

which pursues the achievement of the 1.5°C target.⁶¹ Beyond the initial feat of developing conceptually simple principles-based guidelines, Nippon Life hopes to gather partners who support the principles and are willing to put them into action to together “create the large wave of change needed to transform society.”⁶²

In addition to addressing climate change, Nippon Life is also engaged in developing a finance framework related to nature. In 2025, the company published the “Nature Finance Approach,” a process for quantitatively measuring and evaluating various corporate activities from the perspective of nature restoration.

Under this approach, Nippon Life organizes indicators for terrestrial plants (such as forests), which are considered to have a significant impact on nature restoration, from the following two perspectives. These indicators are developed with reference to the concept of “Biosphere Integrity” within the Planetary Boundaries framework, which defines the Earth’s limits within which humanity can enjoy well-being.

- (1) From the perspective of impacts on ecosystems, the approach evaluates increases in Net Primary Production (NPP), which represents the energy used by organisms for survival and growth, as well as decreases in Human Appropriation of Net Primary Production (HANPP), which represents the amount of NPP appropriated by human activities.
- (2) From the perspective of impacts on species, the approach evaluates changes in the population of target species.

Nippon Life believes that providing a method to visualize the direction and impact of corporate initiatives is effective in promoting corporate activities toward nature restoration. Accordingly, the company has publicly disclosed this approach and will continue to refine it as necessary, taking into account developments in international discussions.⁶³

Solutions: Nippon Life leverages ESG integration, negative screening, and thematic investment in its sustainable and system-level investing strategy. Within the thematic investment bucket, the ESG investment and finance strategy focuses on investments in solutions to social and environmental challenges, such as social bonds, social infrastructure-related business, green bonds, transition bonds, and renewable energy. Nippon Life aims to invest ¥5 trillion in sustainability-themed solutions by 2030 (see Figure 3 below), including ¥3 trillion for a decarbonization financing facility. These targets represent a substantial increase from Nippon Life’s initial investment targets of ¥1.7 trillion and ¥500 billion, respectively, which were set in 2017 but raised in 2023 – signaling its increased interest in and momentum for themed investing.⁶⁴ Aligned with these allocation goals, in 2024, the Nissay Impact Investing Facility was established to make ¥500 billion in impact investments by 2030. Investments made through this facility will be made into investee companies that have a clear intention to create impact and can quantitatively measure and disclose outcomes. As of March 2024, the thematic investment reached ¥2.6 trillion and the decarbonization facility reached ¥1.9 trillion, surpassing the halfway mark to its 2030 goal.⁶⁵ See *Figure 3*.

Figure 3. Nippon Life's plans to invest in solutions to environmental and social challenges

Area	Eligible Finance		Total
	Environment	Society	
Finance that complies with international principles	<p>Finance that complies with the principles announced by the International Capital Markets Association (ICMA), Loan Market Association (LMA) and other international organizations</p> <ul style="list-style-type: none"> • Green bonds and loans • Transition bonds and loans • Sustainability bonds and loans, sustainability linked bonds and loans, positive impact finance 	<p>Finance that complies with the principles announced by the International Capital Markets Association (ICMA), Loan Market Association (LMA) and other international organizations</p> <ul style="list-style-type: none"> • Social bonds and loans • Sustainability bonds and loans, sustainability linked bonds and loans, positive impact finance 	
Real Estate	Finance for environmentally friendly real estate	Finance for real estate with high value of public interests	
Projects	Project finance for offshore wind farms and other related projects	Project finance for infrastructure-related businesses with high value of public interests	
Funds	Funds that contribute to the achievement of the SDGs	Funds that contribute to the achievement of the SDGs	
Others	Other (finance other than those listed above that are expected to benefit the environment)	Other (finance other than those listed above that are expected to benefit society)	
Target Amount	Decarbonization financing facility ¥3 trillion*	Below ¥2 trillion	¥5 trillion

*Investment and finance that will support decarbonization initiatives in the environmental sector are managed separately as the decarbonization financing facility.

Source: Nippon Life, *Enhancing ESG Investment and Finance*.

Examples of Nippon Life's investments in solutions to environmental and social challenges include:⁶⁶

- **Nissay Sustainability Linked Loan**, which sets sustainability performance targets (SPTs) to promote borrowers to achieve sustainability targets and incentivizes the borrower's achievement of the SPTs by linking loan terms such as the interest rate to the borrower's performance against the SPTs. The first loans were made to Yuken Kogyo Co., Ltd. and Refine Holdings Co., Ltd. The SPTs set by borrowers are

monitored on an ongoing basis, and interest rate conditions are adjusted based on the performance achieved.

- **Nissay Capital Sustainability Solutions Fund No. 1**, which invests in start-ups that are expected to contribute to society on the SDGs through such means as technologies and services related to decarbonization, environmental impact reduction, new energy, health and longevity and sustainability (as well as venture capital funds whose main investment targets are such start-ups). Through this investment, Nippon Life seeks to support ESG initiatives of start-up

companies while also “working to resolve the issues of companies and societies as a whole.” The fund is notably also focused on the social aspects of the implementation of these technologies, targeting unlisted companies with technology that will solve social issues such as decarbonization, the reduction of environmental burden, new energy, and healthy life expectancy.

- **Osaka Gas Corporation**, with whom Nippon Life signed a syndicated transition loan agreement for approximately ¥2.5 billion. The funds will be used for development of the Himeji Natural Gas Power Plant, which is expected to contribute to the reduction of GHG emissions by approximately 1,140,000 tons per year through the introduction of highly efficient natural gas power generation facilities.
- **Sumitomo Chemical Company, Ltd**, with whom Nippon Life signed a transition loan agreement to fund development of an LNG power generation facility on Sumitomo Chemical's Chiba Works premises. The funds will enable a gradual energy conversion from petroleum coke to LNG and are expected to reduce greenhouse gas emissions by more than 240,000 tons per year.
- **Nissay Green Loan**, which will support corporate efforts to decarbonize by financing green projects that are recognized for certain environmental benefits. The first loan was made to Mitsui Fudosan Private REIT, Inc. In 2022, a loan was made to Suminoe Textile Co., Ltd. whose funds will be used as long-term working capital for ECOS, a recycled tile carpet that achieves a higher recycled material ratio and carbon emissions reduction rate than others.
- **UK-Germany Interconnector Project**, a syndicated loan agreement to finance an interconnector project that connects the UK and

Germany, contributing to the stable supply of electricity to both countries.

- **Akita**, which will develop Japan's first commercial offshore wind project to support the expanded use of renewable energy in Japan.

C. Opportunity Generation:

Evaluations: Nippon Life employs various methods to evaluate difficult-to-price aspects of social, environmental, and financial systems that generate potential long-term wealth creation, societal and environmental value, and investment opportunities. It thinks beyond quantifiable price and evaluates the potential of these aspects of systems to provide the stability and predictability necessary to create a fertile field of such opportunities.

For example, Nippon Life recognizes the impacts of climate change on its businesses and therefore “promotes efforts to enhance risk control and resilience based on the results of analyses using climate related scenarios” such as those developed by the Network for Greening the Financial System (NGFS).⁶⁷ With regard to more specifically measuring the risks and opportunities of climate change to its asset management portfolio, Nippon conducts analysis using the Climate Value-at-Risk (CVaR) provided by MSCI and Global Warming Potential alongside the NGFS scenarios to support its qualitative understanding and risk management approach.⁶⁸

To understand the relationship between its investee companies and natural capital, Nippon Life leverages ENCORE, a tool to assess how different industries are dependent on – and have impacts on – natural capital. The results of Nippon's analysis showed that natural capital with the highest dependency were “Habitats” and “Water” and that the most significant impacts were on solid waste, water pollutants, and soil pollutants.⁶⁹

Conclusion

Assessing Progress

Between April 2017 and March 2024, Nippon Life has invested approximately ¥2.6 trillion in sustainability themed investments, approximately ¥1.9 trillion of which are focused on financing for decarbonization. As a result, between April 2023 and March 2024, Nippon Life has contributed to the reduction of approximately 4.27 million tonnes of greenhouse gas emissions. Aligned with its interim goals to achieve net zero by 2050, the asset management portfolio estimates approximately 45.9% reduction in total emissions (compared with 2010) and approximately 20% reduction in emissions intensity (compared with 2020).⁷⁰

Beyond portfolio emissions, Nippon Life recognizes the simultaneous need and challenge for investors to evaluate the impact of their investments and activities beyond the portfolio level. As a system-level investor, Nippon Life makes the link that, beyond obtaining specific results of an investment against the benchmark, it has an opportunity to also contribute to practices that will raise the benchmark return of the entire market – on the whole and over the long term. Such articulation of this broader system-level objective is reflective of Nippon Life's awareness of the change needed at the investment and industry, sector, and system levels. Nippon Life identifies the need for a shift in the mindset of investors and how they are thinking about financial and impact outcomes – helping to elevate the standards of responsible investing.

With respect to evaluating progress toward system-level goals, Nippon Life focuses on the alignment of its activities toward those goals – from joining net zero alliances, to corporate engagement practices, to rewarding sustainability behaviors, and continuing to revise its strategy. For Nippon Life, its implementation

of a system-level strategy is expressed across four main areas, all discussed in this case study: establishing the transition finance framework, sharing expertise with other investors, establishing standards, and enhancing policy engagement. Across these elements, Nippon Life continues to contribute to the advancement of investment best practice, especially as it relates to real-world decarbonization, and the growing momentum of system-level thinking as commonplace in sustainable investing.

Challenges and Looking Ahead

Nippon Life acknowledges the challenge of evaluating the performance of its system-level investing and reinforces the importance of strategy setting in making progress toward system-level goals. Further, Nippon Life believes that solving global and societal issues exceeds individual companies and institutions – progress will require partnership, shared goals, and willingness from many to adopt new policies, practices, and thinking.⁷¹

Echoing its focus on system-level considerations, in December 2024, Nippon Life hosted a sustainability conference entitled “Sustainability Challenges and Systems Thinking” to share its expertise with other investors and influence its peers to recognize system-level investing. The panel discussed why the link between ESG ratings and corporate financial performance is weaker in Japan than in the United States and Europe, and what countermeasures can be taken. Following the event, it published a paper in April 2025 to share feedback from participants and socialize insights from the conference with the wider community of Japanese investors.⁷² Nippon Life positions these efforts as field building, an effort to influence the behavior of investee companies by collaborating with peer investors and changing the norms and rules surrounding companies.⁷³

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About TIIP

The Investment Integration Project (TIIP) is a boutique consulting firm that helps institutional investors: (1) understand how portfolio performance is intertwined with the health of environmental, social, and financial systems; (2) shape the structures and norms influencing those systems; and (3) embed systems-aware decision-making across all strategies and operations.

Established in 2015 by Steve Lydenberg and William Burckart—who coined the term system-level investing and co-authored the first book on the topic, *21st Century Investing: Redirecting Financial Strategies to Drive Systems Change* (Berrett-Koehler Publishers: April 2021)—TIIP's pioneering thought leadership has enabled the alignment of investment practices with the long-term health of the systems underpinning value creation.

At the center of TIIP's work is SAIL (Systems Aware Investing Launchpad), an enterprise management and data platform that enables investors to integrate system-level investing across strategy, implementation, and reporting. TIIP also offers customized services—Total Portfolio Activation, Total Portfolio Implementation, and Total Portfolio Review—to help clients benchmark progress, enhance portfolio design and stewardship, and apply system-level thinking in practice.

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