

Results of Self-Evaluation of 2019 Stewardship Activities

We actively engaged in stewardship activities in order to encourage portfolio companies to increase their corporate value and promote sustainable growth, and to increase medium- to long-term investment returns for clients and beneficiaries. To further enhance our activities, we performed a self-evaluation of our stewardship activities in 2019 (January to December), the results of which are in this section. This self-evaluation corresponds to the self-evaluation required by Guideline 7-4 of the Japan Stewardship Code revised on May 29, 2017.

1 Self-Evaluation Methodology

We distributed a questionnaire mainly to members of the Responsible Investment Committee, the highest decision-making body for our stewardship activities, and held discussions based on the results of the questionnaire. Members of the Responsible Investment Council, which monitors the Responsible Investment Committee, particularly with regards to matters related to conflicts of interest, also participated in the questionnaire and in subsequent discussions.

Reference Questionnaire Overview			
Target	The following people responded according to the questions. Responsible Investment Committee members – 8 Responsible Investment Committee Secretariat members – 5 Responsible Investment Council members – 3	Questionnaire timing	December 2019
		Period covered	January-December 2019
		Response format	Signed (not anonymous) Multiple choice (4 choices) Write comments freely

2 Results of self-assessment (overall)

More than 90% of respondents indicated that stewardship activities in our company were appropriate. The Responsible Investment Committee held discussions based on the results of the questionnaire and comments received, and the final assessment was we were generally able to carry out appropriate stewardship activities, including the our response to the following three points identified in the previous year as areas to be strengthened.

- The Responsible Investment Committee should continue to strive for efficient and effective management in order to be able to engage in deeper discussions on matters of higher importance.
- Increase opportunities to share information and exchange opinions about engagement activities within the Responsible Investment Committee and the Investment and Research Division, and further enhance the PDCA cycle.*
- Continue working to secure and train appropriate personnel in the Investment Research Division in order to further enhance the sustainability of stewardship activities.

*The PDCA cycle is a method for improving operations by repeating a cycle of Plan, Do, Check, and Act.

On the other hand, the following were identified as points to be improved in order to further enhance the effectiveness of our stewardship activities.

- Continue the efficient and effective management of the Responsible Investment Committee and strengthen the PDCA cycle for engagement activities as continuous initiatives.
- Make proxy voting more effective, including links to engagement.
- Continue working to appropriately allocate and bolster resources to address the expansion of domains and rising target levels for stewardship activities such as the Task Force on Climate-related Financial Information Disclosures (TCFD).

3 Future Actions

The Responsible Investment Committee will continue to discuss the points that need to be enhanced as identified through this self-evaluation, and work to further bolster our stewardship activities.

Review of 2019 →

In 2019, we promoted a wide range of initiatives, but the main activities were addressing climate change and carrying out impact investing. Since establishing the Responsible Investment Department, we have worked to create a framework for steadily implementing responsible investment, including putting in place a stronger system for managing conflicts of interest, building a more sophisticated proxy voting process, expanding ESG research resources, and building a global engagement system. The necessary framework is now generally in place. From 2019, we focused on activities leading to more concrete results.

With respect to addressing climate change, we identified climate-related risks and opportunities in our investment portfolios, and applied analysis of these risks and opportunities to engage with portfolio companies and to manage our portfolios. We also worked to raise the quality of our investment management so as to be resilient to climate issues and to lead to more added value. In implementing impact investment, in addition to the conventional risk/return concept, we incorporated the third pillar of “social impact” into the process, and we developed new, more sustainable investment techniques that also contribute to the advancement of society. As a part of this, we also incorporated the so-called “outside-in” method, in which we apply the concepts of global social issues to portfolio companies and their business activities. In our 2019 PRI assessment, we showed improvement in the fixed income domain. During 2019 we also participated more in various initiatives and worked to strengthen Company-wide ESG initiatives.

2020 and Beyond →

2020 will be a year in which discussions on various ESG issues will progress for both Japan and the world as a whole. Climate change remains a major global issue, and the various social problems that are occurring at the present time show once again the magnitude of the impact that ESG issues have on sustainable corporate growth. Against this backdrop, new activity to address ESG issues are expected to accelerate in the world of investment. In collaboration with various initiatives, NAM intends to support global efforts and contribute to the resolution of ESG issues in Japan at the same time. Meanwhile, climate issues and impact investment will continue to be important cornerstones of our efforts. The issue of climate change is something that requires long-term initiatives, but is also an urgent issue for which measures must be put into motion immediately. We plan to make our information infrastructure and analysis methods related to the climate change problem more advanced, and improve the sustainability of our investment operations. Now that we are in 2020, there are 10-years until 2030, the year targeted by the SDGs. We will take advantage of the opportunities that exist among social issues and pursue added value in investment in the new area of balancing economic and social returns.

2020 also marks the fifth year since the Responsible Investment Department was established. We will continue to strive to ensure that our responsible investment initiatives, including battling climate change, generate results and have a positive impact on society.

Head of the Responsible Investment Department
Toshiyuki Imamura

PRI assessment results

	FY2018-2019	PRI Median evaluation
Strategy and governance	A+	A
Status of integration into responsible investment for listed stocks	A	B
Active ownership for listed stocks	A+	B
Engagement	A+	
Proxy voting	A	
Bond investment (government bonds, etc.)	A	B
Bond investment (corporate bonds, etc.)	A	B

