

# COP26 Conversations: Dai-ichi Life and its Journey to Net-Zero

*Featuring:*

**Kenji Watanabe**, ESG Researcher, MSCI

**Hiroko Ishii**, Head of the Responsible Investment Department, Dai-ichi Life Insurance

Brendan Baker:

Hello again everyone, and welcome to another of our COP26 conversation episodes, where we discuss with our clients some climate change challenges, opportunities, successes, and hopes in the APAC region. Now today we are going to Japan, where my colleague and friend Kenji Watanabe, a senior ESG and climate research analyst will be talking to Ishii-san, Head of the Responsible Investment Department at Dai-ichi Life. Japan has been making strides in the climate change space over the last few years, with government-led guidance and regulation coming thick and fast, leading to some of the highest number of TCFD disclosure rates in the world, and many institutional investors taking the lead in some important climate change strategies. But anyhow, I'm going to leave the rest of this discussion to Kenji and Hiroko to discuss what's being seen on the ground in Japan, how COP26 is being viewed, and what this means from an investor perspective.

Kenji Watanabe:

Thank you Brenden for your introduction. And thank you Hiroko-san for being with us today.

Hiroko Ishii:

Thank you very much for inviting me here today. My name is Hiroko Ishii, and I am the General Manager of the Responsible Investment Department at the Dai-ichi Life. I joined the Responsible Investment Department in 2019, and I am in charge of formulating ESG investment and financing policies, engaging with companies, and exercising voting rights. I look forward to talking with you today.

Kenji Watanabe:

Thank you very much for your time. Now, I would like to talk about Japan in general. In Japan, Prime Minister Suga announced last October that Japan would achieve net-zero by 2050, and the target for FY2030 has been raised from 26% to 46% reduction in greenhouse gas emissions compared to 2013. In the midst of these discussions on various policy shifts to promote climate change initiatives, many Japanese companies are holding technologies and patents that capture the growing market opportunities for low-carbon technologies. On the other hand, electricity is still heavily dependent on fossil fuels. What do you think are the characteristics of the Japanese market from the perspective of climate change?

Hiroko Ishii:

With last year's declaration of net-zero for 2050, it is seen abroad as if Japan has finally begun to take climate change action, but the reality is that Japan's energy policy has historically been an effort to

reduce its dependence on fossil fuels. In the draft of the Sixth Basic Energy Plan announced in July this year, it is proposed that the share of fossil fuels in the power supply mix in 2030 will be reduced to 41%. In addition to increasing the share of renewable energies such as solar and wind power, hydrogen and ammonia are also specified for the first time in the power source composition. I expect that this will accelerate Japan's efforts in renewable energy. In terms of technology Japan has technological strengths in fields such as hydropower, hydrogen and ammonia in the energy sector, and fuel cells and automobiles in the industrial sector. I believe that there are many opportunities for growth in the global climate change response. In June, the Ministry of Economy, Trade, and Industry announced the Green Growth Strategy for Carbon Neutrality by 2050, which includes offshore wind power, solar power, geothermal power, hydrogen, fuel ammonia, and automotive storage batteries as important areas where growth is expected. I believe that policy support such as incentives and deregulation can be expected in the future. Companies that have been somewhat skeptical about climate change are now realizing the risks and opportunities of climate change, and are changing their strategies drastically.

Kenji Watanabe:

Thank you for your explanation. How does this situation affect Dai-ichi Life's ESG and climate change initiatives? In particular, can you share with us your company's approach to how these elements can be incorporated into investment strategies?

Hiroko Ishii:

At Dai-ichi Life, we have been proactive in our efforts to address climate change from early on. We have been actively investing in solar power and other renewable energy sources since the early 2010s. In addition, we stopped investing in project finance for coal-fired power generation and coal mining projects as early as possible, and the balance of investments and loans for these projects is currently zero. At present, we are expanding ESG-themed investments such as green bonds issued by companies that are proactive in tackling climate change, and as impact investments, we are also providing financial support to venture companies that are proactive in technological innovation. Furthermore, we are promoting ESG integration to incorporate climate change responses into corporate evaluations. In February 2021, we became the first asset owner in Asia to join the Net-Zero Asset Owner Alliance, the Net-Zero Asset Owner Alliance is an initiative to make investment and loan portfolios carbon-neutral by 2050, and is also required to set an interim target by 2025. In line with this, Dai-ichi Life has set a target of reducing GHG emissions by 25% by 2025 for its portfolio of listed stocks, publicly offered corporate bonds, and real estate, and is aiming to make the entire portfolio carbon neutral by 2050. On the other hand, we do not expect to divest in all sectors with high GHG emissions. We believe it is important to ask the companies we invest in to formulate GHG mission reduction plans and steadily implement them. For this reason we place great importance on engagement with the companies we invest in and finance, and this fiscal year we plan to focus on dialogue with the top 50 companies with the highest GHG emissions regarding their climate change initiatives.

Kenji Watanabe:

Thank you very much. The various initiatives were very helpful. What are some of the challenges and opportunities that you have identified in the course of the initiatives you have mentioned so far?

Hiroko Ishii:

Yes, first of all, there is a lack of clear criteria for evaluating corporate GHG reduction plans by sector. In order to engage with companies, we need to evaluate their efforts to reduce GHG emissions, but each sector has its own situation and level of difficulty in reducing emissions. For example, the iron and steel sector is one of the sectors where it is technically difficult to reduce CO2 emissions from the manufacturing process and it is difficult to determine what kind of plan should be formulated to evaluate that the company is making good progress. The second point is that there is a disparity in the level of climate change initiatives depending on the size of the company. In promoting carbon neutrality of the entire portfolio, the companies we finance are included, but some of the companies we finance are unlisted and small in scale. It is expected that encouraging these small and medium-sized companies to disclose and reduce their GHG emissions will be more difficult than for listed companies, and will require a considerable amount of time. On the other hand, as an opportunity, it has been pointed out that there is still a shortage of funds to promote global climate change measures, and I believe that there is a huge investment opportunity. There are estimates that up to 8,000 trillion yen will be needed worldwide to achieve carbon neutrality by 2050. In Japan as well, funds will be needed for the expansion of renewable energy facilities, infrastructure investment, and technological innovation for corporate transitions. The transition finance market, such as green bonds, is expected to expand further in the future, and as I mentioned earlier, the number of projects in Japan is expected to increase in the areas identified in the Green Growth Strategy, which in turn will increase investment opportunities.

Kenji Watanabe:

Thank you very much. COP26 is scheduled to be held in November this year. In addition to the Net-Zero Asset Owner Alliance that you mentioned earlier, there are various other alliances and initiatives in the financial sector that are working toward net-zero. Are there any new developments for COP26? Also, is there anything that your company is working on as a priority?

Hiroko Ishii:

In preparation for COP26, the Glasgow Financial Alliance for Net-Zero (GFANZ) was launched in April this year with the aim of strengthening the collaboration among these alliances of financial institutions. The GFANZ has a CEO Principal Group, and our President, Mr. Inagaki, is a member of the group. GFANZ is currently considering various initiatives, and one of the most important activities is to expand the participation and membership of the Net-Zero initiative. In Asia, including Japan, participation in the Net-Zero initiative is still limited. Asia is a region that is highly dependent on coal on a global scale, and it is considered necessary to accelerate climate change initiatives as a whole by getting Asian financial institutions to participate in the initiative. For this reason, we are calling on Japanese financial institutions to participate in the Net-Zero Initiative. I believe that if more financial institutions aim for net-zero in this way, the financial sector as a whole will have a greater influence, and this will be a major force that pushes companies and governments to become carbon neutral.

Kenji Watanabe:

Thank you very much. Lastly, would you please comment on your expectations for COP26 and your recommended initiatives for other investors?

Hiroko Ishii:

COP26 is a great opportunity to showcase Japan's efforts globally, and I believe that the Japanese government, corporations, and financial institutions need to work together to further strengthen our

stance on climate change in preparation for COP26. It is also important to deepen cooperation among various climate change-related initiatives in the run-up to COP26, and standardize and unify complex GHG emission measurement and information disclosure standards on a global scale. This, in turn, will increase the transparency of each country and each company, and build momentum for the world to strengthen its efforts to tackle climate change as one. In order to achieve this, I think it is important to strengthen mutual cooperation among the financial sector. I believe that it is necessary for Japanese financial institutions to participate in international initiatives and to be actively involved in the design of international frameworks and rules.

Kenji Watanabe:

Thank you very much for your time today. The various talks on climate change have been very informative. I would like to conclude today's session. Thank you very much again.

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit [www.msci.com](http://www.msci.com).

---

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data, reports and ratings based on published methodologies and available to clients on a subscription basis. We do not provide custom or one-off ratings or recommendations of securities or other financial instruments upon request.

Privacy notice: For information about how MSCI ESG Research LLC collects and uses personal data concerning officers and directors, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.