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# ESG Briefing Environmental and Social Activities in the NRI Group

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Senior Corporate Managing Director  
Nomura Research Institute

Kenji Yokoyama



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**1. Approach to environmental and social activities in the NRI Group**

**2. Environmental and social activities in the NRI Group**

## Approach to the environment and society

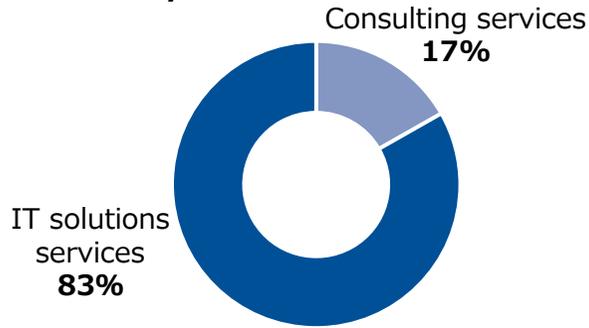
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- Engage in activities that are **suitable for our aspirations as a global company**
- Execute measures that are practical and **NRI-like**
- Work cooperatively **with our employees, executives, and business partners**

# 1. Approach to environmental and social activities in the NRI Group

## Seek NRI-like environmental and social activities that fit the nature of our business

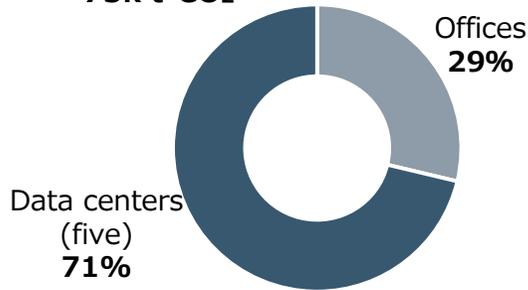
Consolidated sales  
421.4 billion yen



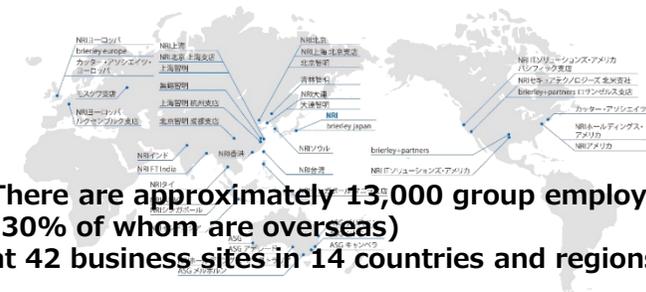
- The spirit of our corporate philosophy “Dream up the future”
- Consulting x IT solutions
- Contributing to future society via social recommendations, system proposals, etc.



Greenhouse gas emissions  
75k t-CO<sub>2</sub>



- Creating business IT
- Developing systems that serve as social infrastructure
- Providing joint-use services



- Expanding our global business
- Managing according to global standards



# Contents

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**1. Approach to environmental and social activities in the NRI Group**

**2. Environmental and social activities in the NRI Group**

# Environmental initiatives

### Past activities

- 1. Environmental targets**
  - **55% reduction in greenhouse gas emissions in 2030 (compared to 2013)**
  - **Registered by the Science Based Targets (SBT) Initiative**
- 2. Environmental Management Systems (EMS)**
  - Implemented ISO 14001 at data centers and **NRI-EMS** at main offices
- 3. Study procurement of renewable energy and promote its use**
  - **RE100 pledge**
- 4. Environmental training for employees and executives**
  - Forest development program in Tadami, Fukushima Prefecture, etc.
- 5. Addressing biodiversity**
  - **Participation in Elephant Parade**
- 6. Issuing green bonds**
- 7. Green procurement (ESG-minded procurement)**
- 8. Environmental information disclosures**
- 9. Dialogue with leading global companies in the environmental realm**



### Key recent activities

- 1. Environmental information disclosures based on TCFD scenario analysis**
- 2. Reviewing implementation of carbon pricing**
- 3. Environmental activities pertaining to our supply chain (Scope3)**

## 2. Environmental and social activities in the NRI Group

# Environmental initiatives



Elephant sculptures in the 1st floor lobby at the Yokohama Center (Charity art for the conservation of Asian elephants)



Cold water vertical heat storage tank at Tokyo Data Center 1



The energy-conserving Yokohama Center which received proceeds from sales of green bonds, and a monument commemorating the issuance of green bonds



NRI-EMS operations audit



Forest development program in Tadami, Fukushima Prefecture

## 2. Environmental and social activities in the NRI Group

### Commitment to decarbonization as an IT business operator by registration in the SBT initiative and membership in the RE100

- Drafted environmental targets to achieve the goal of 2°C, which were approved for registration by the SBT (Science-Based Targets) Initiative\*1
- Also joined RE100\*2, aiming for **zero carbon emissions in FY2050**

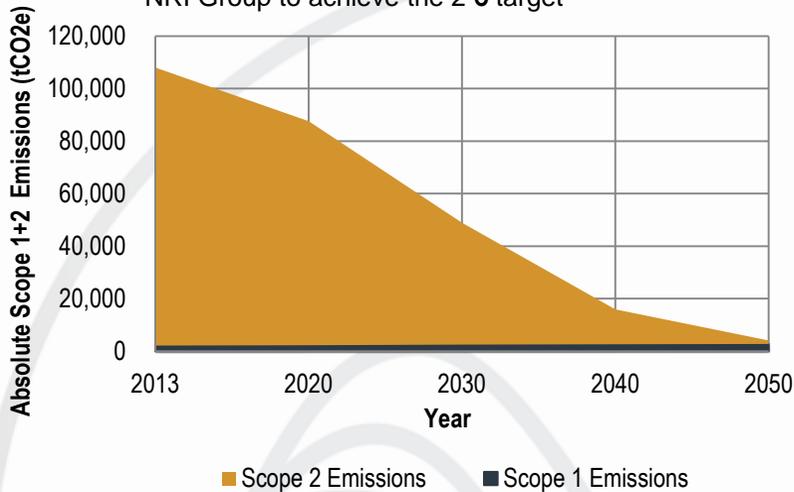


**RE 100**

**FY 2030 targets**

**FY 2050 targets**

Greenhouse gas emission levels of the NRI Group to achieve the 2°C target



**Scope 1+2**

**55% reduction of greenhouse gas emissions in the NRI Group (compared to 2013)**

**Zero greenhouse gas emissions in the NRI Group**

**36% of energy used at data centers to be renewable**

**100% of energy used in the NRI Group to be renewable**

**Scope 3**

**At least 70% of the NRI Group's suppliers to set greenhouse gas emissions reduction targets by SBT standards (by FY 2023)**

(Numerical values) Calculated by NRI using SBT Initiative SDA Tool V8.0 (issued Feb 2017).

## NRI declares its support for the TCFD

### ■ About the TCFD (Task Force on Climate-related Financial Disclosures)

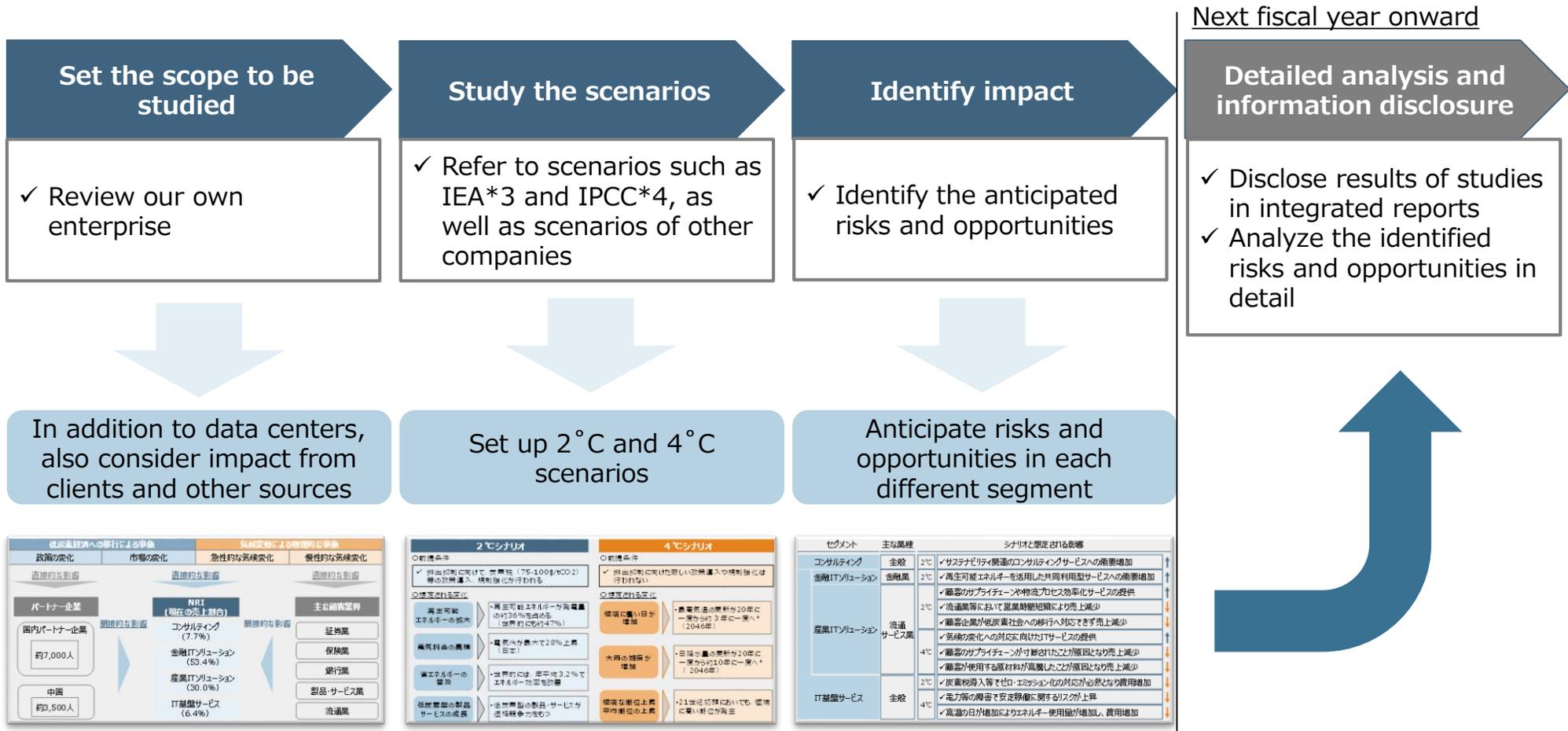
- Established by the Financial Stability Board (FSB) at the request of G20 finance ministers
- Requests climate-related disclosures from companies, such as the financial impact of climate change according to scenario analysis, so that investors can make appropriate investment decisions

Items recommended for disclosure by the TCFD

Item	Governance	Strategy	Risk management	Indexes and targets	
Recommended disclosure content	A	Oversight system in the Board of Directors pertaining to climate-related impact	Climate-related risks and opportunities in the short, medium, and long term	Processes to identify and assess climate-related risks	Indexes used when assessing climate-related risks and opportunities
	B	Risk and opportunity assessments, and the managerial role of management	Impact of climate-related risks and opportunities on business, strategy, and financial planning	Processes to manage climate-related risks	Scope 1, Scope 2, and when applicable Scope 3 greenhouse gas emissions and the related risks
	C		Scenario analysis using multiple scenarios	Are processes to identify, assess, and manage climate-related risks integrated into overall risk management?	Targets used to manage climate-related risks and opportunities, and performance relative to those targets

# This fiscal year we identified our anticipated climate-related risks and opportunities

- This fiscal year we took inventory of climate-related risks and opportunities in multiple scenarios, and identified the anticipated impact.



低炭素経済への移行による事象		気候変動による物理的な事象	
政策の変化	市場の変化	急性的な気候変化	慢性的な気候変化
直接的な影響		直接的な影響	直接的な影響
パートナー企業	NRI (現在の売上割合)	間接的な影響	主要な顧客業界
国内パートナー企業	コンサルティン (7.7%)		証券業
約7,000人	金融ITソリューション (53.4%)		保険業
	産業ITソリューション (30.0%)		銀行業
	IT基礎サービス (6.4%)		製品・サービス業
			流通業
中国			
約3,500人			

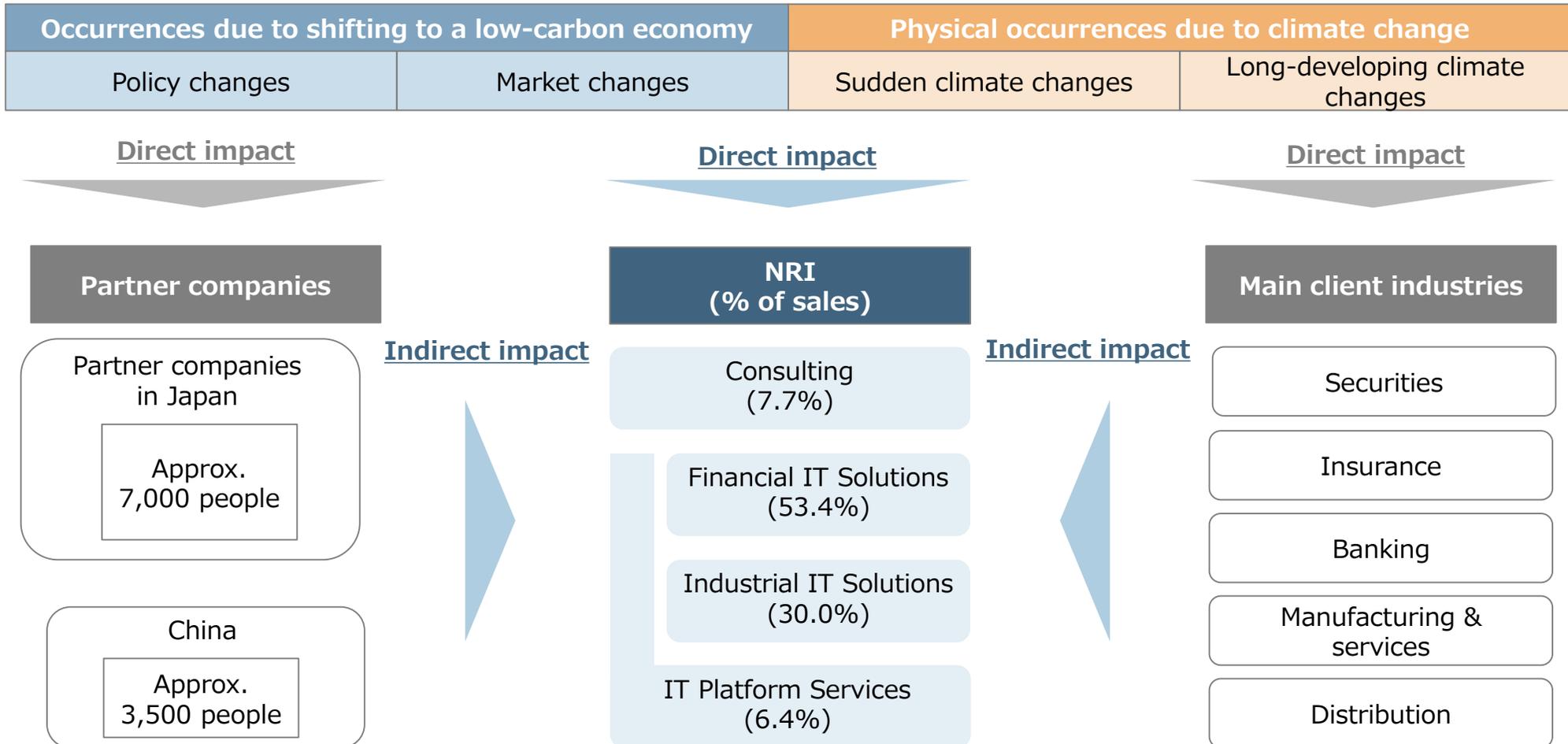
2°Cシナリオ	4°Cシナリオ
<p>前提条件</p> <ul style="list-style-type: none"> <li>排出削減に対して、炭素税 (75-100\$/tCO<sub>2</sub>) 等の政策導入・規制強化が行われる。</li> </ul> <p>想定される変化</p> <ul style="list-style-type: none"> <li>再生可能エネルギーが発電量の約35%を占める (実質約24.7%)</li> <li>電気料金の騰貴</li> <li>電気料金が最大で2.8%上昇 (日本)</li> <li>世界的には、年平均3.2%でエネルギー物価が上昇</li> <li>低炭素製品の製造・サービスの成長</li> <li>低炭素製品の製造・サービスが競争優位の要因</li> </ul>	<p>前提条件</p> <ul style="list-style-type: none"> <li>排出削減に対して思い切った政策導入や規制強化は行われない。</li> </ul> <p>想定される変化</p> <ul style="list-style-type: none"> <li>再生可能エネルギーが20年に一筆から約3年に一筆へ (2046年)</li> <li>電気料金の騰貴が20年に最大約10%に上昇へ (2046年)</li> <li>日経工業の平均が20年に一筆から約10筆へ (2046年)</li> <li>21世紀初頭においても、温室効果ガス削減が促進</li> </ul>

セグメント	主な業種	シナリオと想定される影響	
コンサルティン	全般	2°C	✓ サステナビリティ関連のコンサルティンサービスへの需要増加
金融ITソリューション	金融業	2°C	✓ 再生可能エネルギーも活用した共同利用型サービスへの需要増加
産業ITソリューション	流通サービス業	2°C	✓ 顧客のサプライチェーンや物流プロセス効率化サービスの提供
		4°C	✓ 流通業等において炭素削減目標により売上減少 ✓ 顧客企業が低炭素社会への移行へ対応できず売上減少 ✓ 気候の変化への対応に向けたITサービスの提供
IT基礎サービス	全般	2°C	✓ 顧客のサプライチェーンが削減されたことが原因となり売上減少 ✓ 顧客が使用する原材料が高炭素化することが原因となり売上減少
		4°C	✓ 電力等の増産で安定稼働に関するリスクが上昇 ✓ 高温の日が増加によりエネルギー使用量が増加し、費用増加

## 2. Environmental and social activities in the NRI Group

We considered our entire portfolio for the studies, including impact and influence from clients, etc.

- We considered not only direct impact to our company, but also indirect impact from clients and partners



## Referring to the IEA and IPCC, we used 2 °C and 4 °C scenarios

### 2 °C Scenario

#### ○Preconditions

- ✓ Policies such as carbon taxes (\$75-100/ton of CO<sub>2</sub>) will be implemented and regulations tightened to control emissions

#### ○Anticipated changes

##### Expansion of renewable energy

- Renewable energy comprises approx. 36% of electricity generated (also approx. 47% worldwide)

##### Escalating electricity costs

- Electricity costs rise as much as 28% (Japan)

##### Spread of energy conservation

- World energy efficiency improves by an average of 3.2% annually

##### Growth of low-carbon products and services

- Low-carbon products and services become cost-competitive

### 4 °C Scenario

#### ○Preconditions

- ✓ Strict policies will not be implemented to control emissions, nor will regulations be tightened

#### ○Anticipated changes

##### More extremely hot days

- Temperatures go from reaching record highs around once every 20 years to once every 3 years\* (in 2046)

##### Greater frequency of torrential rain

- Average daily rainfall goes from reaching record highs around once every 20 years to once every 10 years\* (in 2046)

##### Extreme increase in tide levels, increase in the average time level

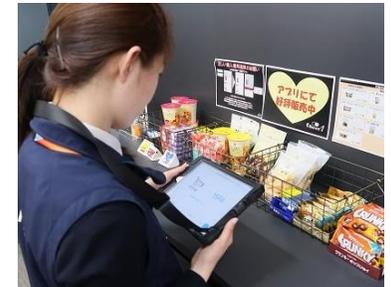
- Extremely high tides occurred even at the start of the 21st century

Source) Created based on the IEA World Energy Outlook and the Ministry of the Environment Overview of the IPCC's Fifth Assessment Report

## Social initiatives

### Past activities

1. **NRI Student Essay Contest**
2. **Career education programs**
3. Donations to disaster-stricken areas, etc.
4. Diversity & inclusion
  - Opening in-house nursery schools at work sites (Yume-minato Nursery School)
  - Holding discussions meetings and training sessions (on housekeeping for men, childcare, LGBTs, etc.)
5. Promoting the advancement of people with disabilities
  - Established special subsidiary (NRI Mirai), utilizing its **consulting function**
6. Revising our human rights policy
7. **Financial and non-financial integrated disclosures**
  - **Building platforms for disclosures**
8. **Collaboration with stakeholders**
  - **Dialogue with overseas experts and investors**
  - **Participation in initiatives such as WBCSD\*5**



### Key recent activities

1. **Protecting and respecting human rights**
  - **Revising Group policies on human rights**
  - **Strengthening mechanisms for human rights education, protection, and aid**
  - **Conducting human rights due diligence**
  - **Addressing Australia's Modern Slavery Act**
  - **Compiling reports on human rights**



## 2. Environmental and social activities in the NRI Group

# Managing and conducting business in a way that respects human rights in Japan and all over the world

- Our company engages in activities to protect, respect and remedy, based on international standards such as the International Bill of Human Rights and ILO Core Labour Standards, as well as the Guiding Principles on Business and Human Rights

### Overview of human rights-related initiatives at NRI

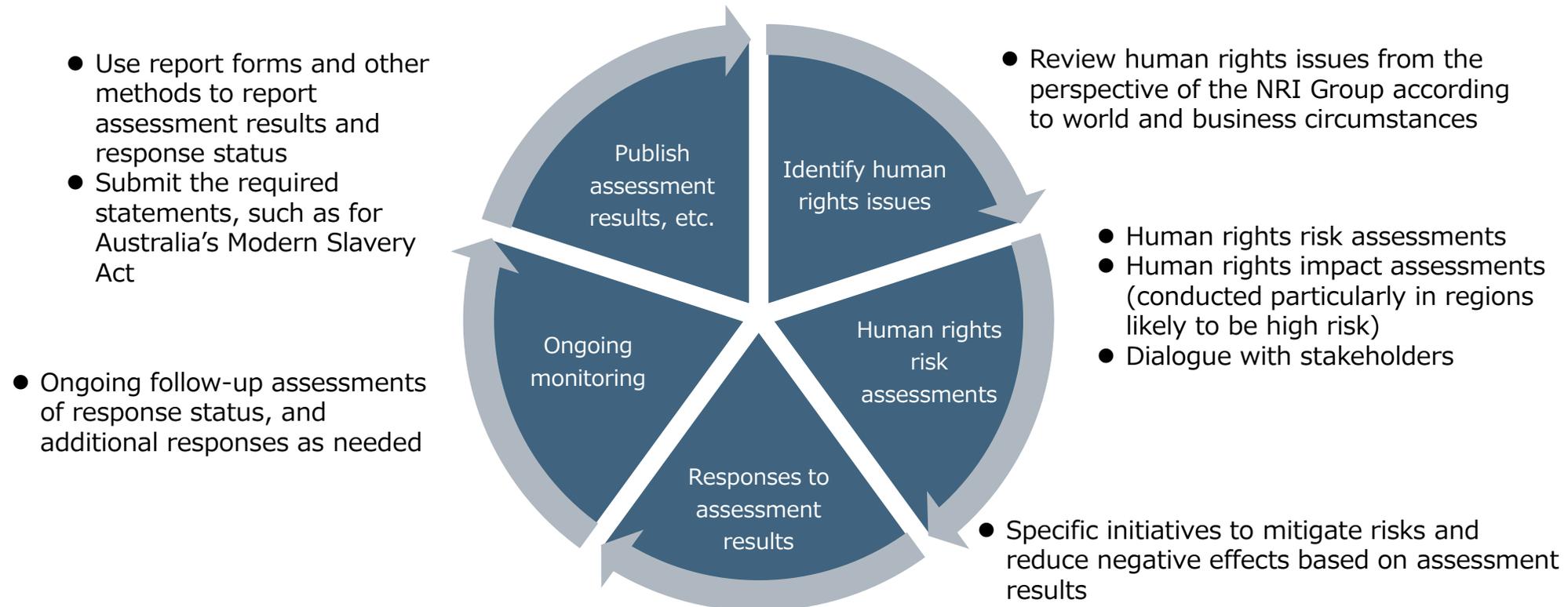
	Up to now	Going forward
<b>Clarification and deployment of human rights policies</b>	<b>Revise Group policies on human rights</b> ↓ Translate into the actions of individuals <b>Revise the Group Code of Conduct</b>	<ul style="list-style-type: none"><li>• Ongoing training for management and employees</li><li>• Communicate information internally and externally about human rights-related activities</li><li>• Explain human rights policies to business partners, request their participation in human rights activities, etc.</li></ul>
<b>Human rights Due Diligence</b>	<b>Assessments of human rights-related risk by country</b> (potential risk) <b>Conduct in advance human rights due diligence</b> (overseas partners)	<ul style="list-style-type: none"><li>• Full-scale implementation of human rights impact assessments</li><li>• Addressing and monitoring specified negative effects</li><li>• Publish reports on assessments and what was done to address negative effects</li></ul>
<b>Remedy / Remediation, relief, and rectification</b>	<b>Establish structures to address human rights</b> (Human Rights Education Committee, Human Rights Team of Sustainability Activities Committee, etc.)	<ul style="list-style-type: none"><li>• Establish structures and decision-making processes to address human rights</li><li>• Establish grievance mechanisms</li><li>• Revise human rights initiatives on an ongoing basis, and respond flexibly according to circumstances</li></ul>

## 2. Environmental and social activities in the NRI Group

# Conducting human rights due diligence based on the UN Guiding Principles

- NRI conducts human rights due diligence according to the UN Guiding Principles on Business and Human Rights, and publishes the results and responses in reports, etc.
- We also properly address laws and regulations that must be observed such as Australia's Modern Slavery Act.

## Our human rights due diligence cycle



## 2. Environmental and social activities in the NRI Group

### Transparent disclosures that are responsive to trends in ESG investment

- Disclosing integrated financial and non-financial information to improve corporate value in the medium to long term

Main target stakeholders



**Integrated Report**  
Shares the story of **value co-creation in the NRI Group**

**Institutional investors**  
**Rating agencies**



**ESG Databook**  
Discloses **non-financial information with a high level of completeness**

**ESG investors**  
**ESG rating agencies**



**Sustainability Book**  
Created **for all stakeholders** in a way that is **easy to understand**

**Client companies**  
**Students**

## 2. Environmental and social activities in the NRI Group

# Accelerating collaboration with stakeholders and reflecting them in environmental and social activities

- Holding dialogues with overseas ESG experts and partner companies, actively participating in ESG-related initiatives, and staying current on global ESG trends

### Stakeholder dialogue

August 2018 in Geneva  
**WBCSD** (SDGs promotion organization), **RobecoSAM** (ESG rating agency)



July 2017, London  
**Hermes EOS** (ESG investment consulting company), **Aviva Investors** (ESG institutional investor), **EIRIS** (ESG rating agency), **Bluenumber** (NGO)



January 2019 in Tokyo CSR dialogue with partners  
**With 15 systems development partner companies and two hardware vendor companies of the NRI Group**

### Membership in initiatives

April 2015



April 2017



June 2018



July 2018



September 2018



January 2019



February 2019



## 2. Environmental and social activities in the NRI Group

# (Reference) ESG indexes that have selected NRI

Index	Description	Index	Description
 <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p><b><u>Dow Jones Sustainability World Index</u></b> The Dow Jones Sustainability Index is the world's first ESG stock index, jointly developed by S&amp;P Dow Jones Indices, United States and RobecoSAM, Switzerland. The index evaluates companies in terms of economic, environmental, and social factors, and selects those with superior sustainability as its constituent stocks. DJSI World evaluates the top 2,500 companies by market capitalization in the world. NRI has been selected as a constituent stock since 2018.</p>	 <p><b>FTSE Blossom Japan</b></p>	<p><b><u>FTSE Blossom Japan Index</u></b> Developed by FTSE Russell of the London Stock Exchange Group of companies, this index is comprised of Japanese companies that display high ESG performance. NRI has been selected for inclusion in the index for two consecutive years since 2017.</p>
 <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p><b><u>Dow Jones Sustainability Asia Pacific Index</u></b> The Dow Jones Sustainability Index is the world's first ESG stock index, jointly developed by S&amp;P Dow Jones Indices, United States and RobecoSAM, Switzerland. The index evaluates companies in terms of economic, environmental, and social factors, and selects those with superior sustainability as its constituent stocks. DJSI Asia Pacific chooses from among the top 600 companies by market capitalization in the Asia-Pacific Region. NRI has been selected for inclusion in the index for three consecutive years since 2016.</p>	 <p><b>S&amp;P/JPX Carbon Efficient Index</b></p>	<p><b><u>S&amp;P/JPX Carbon Efficient Index</u></b> Developed by S&amp;P Dow Jones Indices of the US, this environmental index heavily weighs constituent stocks of highly carbon-efficient companies that sufficiently disclose carbon emissions-related information. NRI was selected for inclusion in the index starting in 2018.</p>
 <p><b>FTSE4Good</b></p>	<p><b><u>FTSE4Good Developed Index</u></b> This index was developed by FTSE, a subsidiary of the London Stock Exchange. It was created to recognize corporate activities that meet internationally accepted corporate responsibility standards, and promote investment in those companies. NRI has been selected for inclusion in the index for 13 consecutive years since 2006.</p>	 <p><b>MSCI</b> 2018 Constituent MSCI ESG Leaders Indexes</p>	<p><b><u>MSCI ACWI ESG Leaders Index*</u></b> (Previously: MSCI Global Sustainability Indexes) This index developed by US company MSCI is comprised of companies that have earned strong reputations in ESG. NRI has been included among the stocks in the index for three consecutive years since 2016.</p>
 <p><b>MSCI</b> 2018 Constituent MSCI Japan ESG Select Leaders Index</p>	<p><b><u>MSCI Japan ESG Select Leaders Index*</u></b> This index developed by MSCI of the US selects companies with relatively high ESG (Environmental, Social, Governmental) ratings in each industry type from among the top 500 companies in Japan by market capitalization. NRI has been selected for inclusion in the index for two consecutive years since 2017.</p>	 <p><b>NADESHIKO BRAND 2018</b></p>	<p><b><u>Nadeshiko Brand</u></b> Nadeshiko Brand is an initiative jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange which aims to introduce stocks with outstanding performance promoting women's success in the workplace as being attractive to investors who value medium to long-term improvement in corporate value. NRI has been selected for inclusion in the index for two consecutive years since 2017.</p>
 <p><b>MSCI</b> 2018 Constituent MSCI Japan Empowering Women Index (WIN)</p>	<p><b><u>MSCI Japan Empowering Women Index (WIN)*</u></b> This index developed by MSCI of the US scores companies in a multifaceted manner according to data on the employment of women disclosed according to the Act on Promotion of Women's Participation and Advancement in the Workplace and disclosures by companies, and selects companies in each industry that recognize the advancement of women. NRI has been selected for inclusion in the index for two consecutive years since 2017.</p>	<p>* THE INCLUSION OF NOMURA RESEARCH INSTITUTE, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NOMURA RESEARCH INSTITUTE, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</p>	

**NRI**

未来創発

**Dream up the future.**

# Explanations of terms

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## \*1 SBT (Science-Based Targets) Initiative:

This initiative was established as a collaboration between four organizations, the CDP which is an institutional investor organization for promoting disclosures related to climate change measures, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF), with the aim of working toward targets for reducing the science-based greenhouse gas emissions of companies in order to keep the global temperature increase below 2°C compared to pre-industrial revolution temperatures. The NRI Group was the 132nd company globally to have environmental targets registered by the SBT Initiative, and was the 29th from Japan.

## \*2 RE100:

RE100 is a global initiative managed by international NGO The Climate Group (\*1) in partnership with CDP (\*2). Member companies commit to sourcing 100% of the energy for their business activities from renewable sources, and announce this commitment. The NRI Group was the 165th company globally to become a member of the RE100, and was the 17th from Japan.

\*1 The Climate Group: An international NGO with offices in London, New Delhi, and New York. Its mission is to promote measures against climate that limit global warming to no more than 1.5°C. The group leverages its powerful networks of businesses and government agencies which shift global markets and policies to further accelerate action against climate change.

\*2 CDP: An international non-profit organization (NPO) which leads companies and government agencies toward reducing greenhouse gas emissions and the protection of water resources and forests. Supported by investors with assets in excess of 87 trillion US dollars, the CDP runs an environmental info disclosure system used by large numbers of companies and cities, and provides data analysis and expert knowledge throughout the world.

## \*3 IEA (International Energy Agency):

This organization was founded in 1974 to help countries collectively respond to energy disruptions, and currently has 36 member countries. The IEA promotes energy-related cooperation between countries and publishes reports that analyze long-term energy forecasts and predictions related to energy. It has publicized multiple scenarios such as the Sustainable Development Scenario which is recognized internationally as the 2°C scenario.

## \*4 IPCC (Intergovernmental Panel on Climate Change):

The IPCC is a panel of 195 member countries and regions which was established in 1988 by the United Nations Environment Programme and World Meteorological Organization to provide scientific assessments on climate change and think of a scientific basis for decisions by policymakers. Every five to seven years it assesses scientific knowledge pertaining to the climate change occurring during that time and publishes the IPCC Assessment Report. The Fifth Assessment Report published in 2014 points out four different scenarios, ranging from the RCP 2.6 scenario which anticipates temperature increases of around 2°C, to the RCP 8.5 scenario which anticipates temperature increases of around 4°C.

## \*5 WBCSD (World Business Council for Sustainable Development):

The WBCSD is a global CEO-led organization based in Geneva, Switzerland that was founded in 1995 and seeks to achieve a sustainable future. Currently with around 200 member businesses (of which 20 are Japanese), it exercises leadership toward the world while providing effective recommendations.