



Nomura Research Institute Group

## Nomura Research Institute ESG Briefing Q&A Sessions

February 20(Thu), 2020 Nomura Research Institute Tokyo Head Office

### 1st person (ESG expert)

Q1: You say that you have concrete KPIs for the creation of social value via business activities, but what kind of indices do you use to measure value creation?

A1: In the Medium-Term Management Plan starting this year, we define KPIs that define the mutual relationship between social value and economic value. In addition to traditional KPIs defined as economic indices such as the sales and profit of our business activities, we have added items regarding social value creation, which are not in regular business KPIs. In other words, in addition to associating conventional KPIs with CSV, we have added qualitative assessments that are not covered by conventional KPIs.

Approximately 60 KPIs are defined for each business segment in a form associated with CSV, and we will review their progress quarterly to measure the creation of social value.

### 2nd person (ESG expert)

Q2: You say that you plan to release a human rights report in the future, but why did you decide to do so, despite almost no other companies doing so in Japan?

A2: We will probably be the second company to issue a human rights report after ANA Holdings. About two years ago, the Modern Slavery Act was enacted in the United Kingdom and Australia, and complying with this law was the start of our human rights activities. We realized that the information service industry has problems related to human rights, such as violations of privacy caused by technology such as AI, and we are promoting measures related to human rights, such as human rights due diligence.

The background to issuing a human rights report is similar to that when we first decided to issue green bonds<sup>\*1</sup> several years ago, which was the first for an operating company. After we issued green bonds, many other Japanese companies followed suit, and a new green bond market was created. The same goes for human rights. We believe that if we start issuing human rights reports, other Japanese companies will join us and spread human rights related activities in Japan.

\*1 Bonds issued to procure funds required for business which contribute to the resolution of environmental issues such as global warming

### 3rd person (media)

Q3: Are you conscious of any companies when conducting your ESG efforts?

A3: Since we conduct our efforts based on international standards, we refer to the activities, etc. of foreign companies as well as Japanese ones. From 2014, we have been visiting overseas companies leading in the field of ESG every year. This leads to the exchange of opinions with foreign companies such as Microsoft, SAP, and Nokia. Since our company is a systems integrator, which is an uncommon line of work overseas, some key points are not found in foreign companies, so we also refer to the activities of major Japanese companies in the same field. We also refer to the activities of the Marui Group, which conducts progressive activities despite being in a different industry, as well as ANA Holdings, which is excellent in terms of human rights activities.

Q4: In concrete terms, what dialog do you have with investors regarding ESG, and how do you reflect that in your ESG activities?

A4: We consider this ESG information session to be part of our dialog with investors. Since there is not yet a culture of externally reporting ESG efforts separately in Japan, we would like to explain our efforts by ensuring opportunities like this ESG information session once a year. Overseas, we have been holding dialog with foreign companies once a year since 2014. We are discussing the ideal state of corporate ESG activities by visiting companies leading ESG efforts such as Microsoft and SAP, ESG investors such as BNP Paribas and Aviva Investor, and evaluation organizations such as Vigeo Eiris and Robeco SAM.

At companies with excellent ESG efforts, we heard that companies that disclose negative information are recognized as having excellent management systems in the West, and stories about funds being established for procuring renewable energy.

We received the following opinion from an evaluation organization:

"As an evaluation organization, we would like to assess corporate CSV activities, but since these are difficult to assess objectively we would like to first focus on CSV upon evaluating the fundamentals of ESG (the part for reducing negative impact).

We also visit many overseas data centers. These include a data center located inside the bedrock under Stockholm, and a data center in Helsinki with a system for using discharged geothermal energy across the entire city.

These efforts are utilized in our past and future activities.

Q5: What are the specific criteria for the clawback provisions\*<sup>2</sup> you are thinking about adopting in the future?

A5: Although we have already adopted malus provisions\*<sup>3</sup> for confiscating stock options when an impropriety is discovered, we have yet to adopt clawback provisions. Fundamentally, this involves recalculation and adjustment of cash bonuses to directors when false account figures are discovered due to accounting fraud.

\*2 A system for forcing directors to return compensation that has already been paid when big losses are incurred due to accounting fraud or failed investment, which was started in the West after the financial crisis of 2008

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#### 4th person (analyst)

Q6: Your materials include forecasts of power consumption at data centers. Are these calculated with an assumption that the capacity of data centers will be unchanged in 2030?

A6: They are calculated with an assumption that the capacity will be unchanged. The TCFD (Task Force on Climate-related Financial Disclosures) scenario is created based on an analysis of data center power demand based on a business plan. We have been migrating our systems from an old data center to a new data center over the past 4 to 5 years, and believe that the new data centers have sufficient capacity.

Q7: I believe that the supply of renewable energy in Japan is currently not sufficient. As a member of RE100, how will you achieve the target of 36% renewable energy by 2030?

A7: The target of "reducing greenhouse gas emissions to 55% of 2013 levels by fiscal year 2030" cannot be achieved via energy saving alone, and we have calculated that about 36% of the energy used at our data centers needs to be changed to renewable energy. We are still considering how to achieve this, but we believe that the Western concept of thinking about the solution after deciding the target (backcasting) is important, rather than setting targets based on how easy they are to achieve.

We are struggling with the procurement of renewable energy, as there are problems such as the Certificate of Green Power, etc. not meeting the standards of RE100. We are currently looking at methods of procuring renewable energy to meet the standards of RE100, and believe that one option is to procure non-fossil fuel energy certificates with tracking information.