

## CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Full name: **Takeshi Kimura**

Job title: **Special Adviser to the Board**

Signatory organisation name: **Nippon Life Insurance Company**

Signatory organisation seconding your candidacy: **Tokio Marine & Nichido Fire Insurance Co., Ltd., AIA Group Limited, AXA Group, Sun Life Assurance Company of Canada, Natixis Assurances**



### CANDIDATE STATEMENT

Natural and social capital have a significant impact on the sustainability of the economy. I came to realize this firsthand through the catastrophe in my hometown of Fukushima, Japan. The Fukushima nuclear disaster triggered by the earthquake and tsunami in 2011 severely damaged the natural and social capital in the region. Once damaged, it is very difficult for capital to return to its original state, forcing the productivity of the local economy to decline over long periods. It should also be noted that the disaster was partly due to a corporate behavior of the electric power companies which prioritized short-term profits over costly safety measures.

Unless the issues of climate change and corporate short-termism are addressed, tragedies like Fukushima could occur around the world in the future, undermining the sustainability of the global society. In order to address these issues, it is essential to promote a sustainable financial system, and I would like to contribute to this work by leveraging my central bank career of over 30 years and my current position at Nippon Life Insurance, Japan's largest private institutional investor.

At the central bank, I was involved in macroprudential policy to prevent systemic risk and maintain financial stability. Macroprudential policy is a measure to mitigate market failures resulting from externalities associated with the activities of financial intermediations. In terms of systemic risk, the mechanism behind the global financial crisis of 2007-2008 was essentially the same as that of environmental externalities, through which corporate short-termism and the lack of corporate governance damage natural and social capital and ultimately reduce the productivity of the economy as a whole. Therefore, it is important to incorporate a macroprudential perspective in promoting a sustainable financial system, and I believe that I can contribute to the mission of the PRI.

Various players are involved in the financial system: banks, investment funds, non-financial companies, policymakers, and institutional investors. In order to exercise its leadership, the PRI needs to reach out to all of these stakeholders. If elected, I will contribute to the PRI's activities by leveraging the network that I built up during my central bank career and the leadership of Nippon Life Insurance in the financial industry. In addition, I will keep in mind that Japan is a country of current account surplus and Japanese institutional investors need to take initiative to support a global sustainable financial system through responsible investment activities.

## BIOGRAPHY

### *Academic background*

I have a master's degree in economics and a doctor's degree in engineering.

- Master of Science in Policy Economics, University of Illinois at Urbana-Champaign (1994, U.S.)
- Doctor of Engineering, Tokyo Institute of Technology (1997, Japan)

I majored in macroeconomics, monetary economics, econometrics, and operations research.

I published many papers in the refereed journals (including the top 10 journals) of these fields.<sup>1</sup>

### *Professional background*

I started my central bank career at the Bank of Japan (BOJ) in 1989 and worked at the Bank until 2020.<sup>2</sup> During that time, I was seconded to the Board of Governors of the Federal Reserve System (FRB) from 2003-2004. After retiring from the BOJ last year, I joined Nippon Life Insurance.

At the BOJ, I was involved in various fields of central banking: monetary policy, macroprudential policy, money market operations, and payment system innovations (digital currency).

- Director-General, Payment and Settlement Systems Department, 2018-2020
- Deputy Director-General, Financial System and Bank Examination Department, 2015-2018
- General Manager, Regional Branch, 2013-2015
- Associate Director-General, Monetary Affairs Department, 2011-2013
- Associate Director-General, International Department, 2009-2011

Meanwhile, I represented the BOJ in various international committees and groups:

- BIS/CPMI (Bank for International Settlements, Committee on Payments and Market Infrastructures), 2018-2020
- FSB/SCAV/AGV (Financial Stability Board, Standing committee on Assessment of Vulnerabilities, Analytical Group of Vulnerabilities), 2015-2018
- G20 Study Group on Commodities, 2010-2011, and so on

At Nippon Life Insurance, as Special Adviser to the Board, I currently engage in several projects in cooperation with three departments: Financial Planning Department, Corporate Planning Department, and Global Business Planning Department. Among the projects is formulation of an ESG investment policy.

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<sup>1</sup> For details, see my home page at URL: [research papers by takeshi kimura \(google.com\)](#) .

<sup>2</sup> See URL: [Home : 日本銀行 Bank of Japan \(boj.or.jp\)](#) .

## SIGNATORY ORGANISATION INFORMATION

Nippon Life Insurance is Japan's largest private institutional investor and manages assets of about USD 690 billion in stocks, bonds, and loans.<sup>3</sup> The Nippon Life Group's asset management subsidiary, Nissay Asset Management, handles assets under management of about USD 280 billion.

Nissay Asset Management signed the PRI in 2006, when the Principles were launched, and introduced ESG assessments into investment decisions in 2008. Since then, the Group has accumulated many years of experience in ESG evaluations of investee companies. In 2016, the parent company, Nippon Life, signed the PRI and began to leverage the ESG knowledge and experience within the Group. In the annual PRI assessment, it received the highest assessment grade, A+, in four modules for a second consecutive year (2019-2020).

In the spring of 2021, Nippon Life established the ESG Investment Strategy Office and began incorporating ESG factors into investment analysis and decisions for all assets in its USD 690 billion portfolio, aiming to achieve net-zero emissions throughout its portfolio by 2050. Nippon Life is the first Japanese institutional investor to adopt such an investment policy, which aligns with the Japanese government's goal of attaining net-zero emissions by 2050.

Nippon Life holds equities and bonds of about 1,500 Japanese companies, roughly 70% of the companies listed on the First Section of the Tokyo Stock Exchange. As a universal owner, Nippon Life can use shareholder engagement to influence corporate behavior and contribute to addressing financial risk from externalities. It will consider adding a decarbonization pledge as a condition for supporting the election of board members at shareholders meetings.

Through its active engagement in ESG investments, Nippon Life aims to contribute to the realization of a sustainable society and ultimately improve its portfolio return/risk.

## SPECIFIC EXPERTISE

### LEADERSHIP AND GOVERNANCE EXPERIENCE

*I am currently the Special Adviser to the Board of Nippon Life Insurance, but since I have only been with the company for one year, I will provide leadership examples from my previous career at the Bank of Japan (BOJ), the country's central bank, in the following.*

Ensuring the stability of financial and payment systems is the central bank's mission, and this coincides with the PRI's philosophy of promoting a sustainable financial system. With the progress of digitalization of society in recent years, the central bank has faced the challenge of reforming payment systems. From 2018, as Director-General, I led the BOJ's Payment and Settlement Systems Department. A particularly important issue was whether the central bank should issue digital currency.

<sup>3</sup> See URL: [Annual Report | Nippon Life Insurance Company \(nissay.co.jp\)](https://www.nissay.co.jp).

I established a study team within the department, and formed a group with other advanced central banks to assess the potential case for central bank digital currency (CBDC).<sup>4</sup>

Various players are involved in payment systems: banks, nonbanks, market infrastructures, and end-users such as firms and individuals. Since the issuance of CBDC could have a significant impact on these players, a national debate was necessary from the perspective of improving customer convenience and maximizing the benefits of technological innovation while avoiding a hasty decision. As Director-General, I held discussions with various stakeholders through many forums and exchanged opinions with politicians and the media. After that, with the consent of the BOJ Governor, I decided to start the process for proof of concept for CBDC.

In addition, in the field of payment systems, I tackled the issue of reforming cross-border payments, a priority issue for the G20 and FSB.<sup>5</sup> As a member of CPMI, I held discussions with other central banks and set out the direction of reform for domestic players such as banks and nonbanks.<sup>6</sup>

## GENERAL

### DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI

*The following are examples of my leadership efforts at the BOJ to ensure the stability and sustainability of the financial system, which is relevant to the long-term success of the PRI.*

#### *International leadership*

In 2015, the FSB launched the Systemic Stress Initiative to explore how investment funds and other non-bank financial institutions might collectively act in ways that amplify shocks in financial markets. In this initiative, as a lead author, I wrote a report on the behavior of insurance companies.<sup>7</sup> I led the discussion with regulators of advanced countries, taking into consideration the fact that insurers behave differently depending on their business model, portfolio (asset and liabilities composition), and regulations in each jurisdiction.

#### *National leadership*

In Japan, against the background of the stagnation of the economy resulting from the aging and shrinking population, the core profitability of banks has continued to decline. However, a lot of banks maintained higher dividend payout ratios, which could lead to lower solvency in the long run. This

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<sup>4</sup> See URL: [Central bank group to assess potential cases for central bank digital currencies : 日本銀行 Bank of Japan \(boj.or.jp\)](#)

<sup>5</sup> See URL: [Cross-border Payments - Financial Stability Board \(fsb.org\)](#)

<sup>6</sup> The Committee on Payments and Market Infrastructures (CPMI) is an international standard setter that promotes, monitors and makes recommendations about the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy.

<sup>7</sup> As for the systemic stress assessment by the FSB, see URL: [FSB assesses financial vulnerabilities and takes stock of actions under its 2018 workplan](#)

shareholder-focused short-termism of banks undermines the stability of the financial system. As Deputy Director-General and a lead author of the Financial System Report of the BOJ, I frequently raised this issue in reports and engaged in a continuing dialogue with banks, encouraging them to consider not only shareholders but also stakeholders such as depositors and firms.<sup>8</sup>

### *Regional leadership*

As General Manager of BOJ's regional branch, which is the cornerstone of the regional economy, I strengthened dialogue with firms and banks. At many forums and seminars, I explained that investing in intangible assets is the key to improving productivity, and especially emphasized the importance of improving the quality of human capital at each firm and the social capital of the region. To this end, for example, I called on local governments and politicians to increase opportunities for financial education at elementary, junior high, and high schools, and conducted many on-site classes myself at the request of schools.

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<sup>8</sup> See the Financial System Report (April 2016 - October 2018) at URL: [Financial System Report : 日本銀行 Bank of Japan \(boj.or.jp\)](https://www.boj.or.jp/en/financial_system_report/).