Feature

Measures toward a sustainable environment

Aim to realize carbon neutrality (decarbonized society) by 2050

Sumitomo Life serves as a life insurer as well as an institutional investor that engages in asset management to ensure security and reliability with respect to paying insurance claims, etc. to customers into the future.

We consider efforts to protect the global environment to be one of our most important management issues, given the public nature, scale, and social impact of our business, and have established the "Sumisei Environmental Policy" as a specific policy for activities concerning the global environment. Through our efforts to achieve net-zero greenhouse gas (GHG) emissions, we will address the global issue of climate change from the perspective of both life insurer and institutional investor, and will be an indispensable life insurance company for society.

Sumisei Environmental Policy

Sumitomo Life believes that maintaining and preserving the global environment is indispensable for our goal of realizing "a society of affluence, vitality and longevity."
In keeping with the public nature of our business and our responsibilities to society, the CSR Management Policy stipulates that "To support healthy lifestyles, we will constantly consider the impact of our business activities on the global environment and actively work on protecting it." We will observe the following principles in our daily activities and carry out actions to steadily and sustainably protect the global environment.

1. We shall fully recognize the importance of protecting the global environment and the environmental impact of our business activities, and promote global environmental protection through our business activities.
2. We shall pursue energy and resource conservation, waste recycling, and green purchasing for consumables, fixtures and equipment in offices.
3. We shall raise the environmental awareness of each officer and employee of the Company, support their activities to protect the global environment, and actively contribute to society on the environmental front.

GHG emissions reduction targets*1

Sumitomo Life aims to achieve net zero GHG emissions by 2050, and has accordingly set the following reduction targets to be achieved by 2030.

Category	2030 Target	2050 Target
Scope 1 + 2	-40% (compared with fiscal 2013)	Net zero
Scope 3*2	-30% (compared with fiscal 2019)	
Asset portfolio*3	-42% (compared with fiscal 2019)	

*1 Scope 1, 2, and 3 are concepts in the GHG emissions accounting and reporting standards for businesses stipulated by the GHG Protocol and refer to the following.
・Scope 1: Direct emissions from fuel use at Sumitomo Life
・Scope 2: Indirect emissions from use of electricity and heat purchased by Sumitomo Life
・Scope 3: Indirect emissions from business activities other than those in Scope 1 and 2
*2 This covers the items in which emissions are to be reduced through the proactive efforts of Sumitomo Life and its employees. Category 15 (Investments) is managed separately as emissions from the asset portfolio.
*3 For the 2050 target, this encompasses all assets excluding government bonds, etc. For the 2030 target, this encompasses domestic and overseas listed stocks, corporate bonds, and loans. The reduction indicator expresses "GHG emissions proportional to the amount of balance held in the portfolio," in order to assess emissions excluding effects of asset size. It is measured by dividing the GHG emissions from the asset portfolio by the amount of balance held.

Initiatives to reduce emissions with respect to Scope 1, 2 and 3

We will further promote energy and resource conservation efforts in our equipment and facilities, which we have been working on for some time, as well as employee-participatory efforts, such as reducing waste by promoting reusable bags and personal use thermos bottles.

In addition, we will promote the introduction of equipment with high environmental performance and renewable energy related initiatives, such as the planned relocation of the Tokyo Head Office in fiscal 2022 and the introduction of electricity derived from renewable energy sources for use in our buildings.

▷Initiatives through business activities

We engage in company-wide efforts to address climate change while raising environmental awareness among our employees with a focus on initiatives to save energy and conserve resources.

- We reduce paper consumption, which imposes a heavy burden on the environment, and reduce electricity consumption.
- We have shifted to use of CD-ROMs for storage of insurance policies rather than printed matter.
- We use recycled paper and vegetable oil inks for all printed matter including calendars and product pamphlets for customers, and in-house training materials.
- We have come up with our own environmental logo, which is featured in our environmentally friendly printed matter.

▷Environmentally friendly property management

About 100 tenanted buildings owned by Sumitomo Life across the country promote energy conservation.

- Install energy-saving equipment
- Carefully set the temperature of air conditioners
- Acquire Green Certification

Agency for Natural Resources and Energy business classification and evaluation system	Awarded S Class ranking 6 years in a row (Shinjuku Green Tower Building)

Initiatives to reduce emissions resulting from the asset portfolio

We recognize that addressing climate change is likely to have an enormous impact on our asset portfolio over the medium-to long-term. As such, we believe that it is important to reduce the GHG emissions of society as a whole by reducing the GHG emissions of each of its investees.

Deeming that divestment serves as a last resort, we actively implement the following three measures accordingly.

▷Promote dialogue for decarbonization

We will promote dialogue activities with the aim of encouraging corporate efforts toward decarbonization for our investees, especially those in industries and companies with high emissions.

- Conduct constructive dialogue based on the characteristics of the industries, including from a finance perspective

▷Expand green financing and transition financing

We will proactively consider and provide green financing and transition financing for the sake of achieving decarbonization, given that high-emitting industries and companies generally play a role in supporting the economic infrastructure.

- Transition of high-emitting industries and companies to decarbonization is key to realizing a decarbonized society
- Such financing is premised on securing a certain amount of investment returns

▷Expand project financing

We will proactively consider and expand project financing, including for renewable energy, as it is essential for the realization of a decarbonized society.

* Green financing consists of investment and loans that contribute to solving environmental issues. Green bonds are a typical form of green financing, the issuance amounts of which have been increasing in both Japan and abroad. Such issuance amounts are likely to progressively increase going forward toward the transition to a decarbonized society.
* Transition financing consists of investment and loans provided for the sake of shifting business activities subject to substantial environmental burdens (coal-fired power business, etc.) to low-carbon operations (LNG, etc.).
* Project finance consists of loans to specific projects.

Adoption of TCFD recommendations

In March 2019, Sumitomo Life has announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by Financial Stability Board (FSB). We will redouble our initiatives thus far related to climate change while also enhancing our disclosure taking into account the TCFD recommendations.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

We have formulated the "Sumisei Environmental Policy" stipulating the corporate policy on environmental protection, and have also formulated the "Basic Principles on Responsible Investment" with the aim of helping to realize a sustainable society encompassing measures to address climate change through asset management.

In addition, the "Sustainability Promotion Council," which is tasked with reviewing matters involving sustainability of Sumitomo Life, has accordingly been engaging in discussions on addressing issues involving climate change and has been reporting its status to both the Executive Management Committee and the Board of Directors.

Strategy

We recognize that Sumitomo Life's business activities gain opportunities and incur risks due to climate change as described below. As such, we have been working to reduce such risks while exploiting such opportunities by appropriately engaging in initiatives to manage risk.

Opportunities

In asset management, we are encountering more opportunities for investment and financing particularly with respect to companies that develop technologies contributing to a carbon neutral society as well as projects related to renewable energy.

Risks

The following risks from among those related to climate serve as the primary risks that may significantly affect Sumitomo Life's business.

1. Risk of incurring losses amid changes in the incidence of death, etc. over the medium to long term due to factors that include higher average temperatures (under the "(ii) rocky road" scenario)
2. Risk of future impairment on the value of Sumitomo Life's investment and loan assets under a situation where Sumitomo Life becomes subject to substantial effects involving its investees due to factors that include policy changes and regulatory reforms regarding the transition to a carbon neutral society (under the "(i) green road" scenario)

We have performed scenario analysis enlisting the following steps in order to evaluate effects of climate-related risk on the life insurance business and the asset management business based on our awareness of the aforementioned risks.

STEP 1	STEP 2	STEP 3	STEP 4
Assess materiality of risks	Identify scenarios	Evaluate business impacts	Identify potential responses
Risk exemplified in the TCFD recommendations ○ Physical risks: acute risk and chronic risk ○ Transition risks: policy and legal risks, technology risk, market risk, and reputation risk	Select a scenario under which the average temperature rises by 2°C or 4°C prior to the year 2100 relative to average temperatures prior to the Industrial Revolution "(i) Green road" scenario (increase of 2°C) "(ii) Rocky road" scenario (increase of 4°C)	Evaluate effects on the life insurance business and the asset management business	・Keep considering options in terms of approaches to analyzing effects of rising mortality on payments of insurance claims and benefits ・Calculate and analyze volumes of GHG emissions resulting from the asset management portfolio

Please refer to the following pages for details regarding analysis results and measures based on such results.

Risk management

Under our integrated risk management framework we seek shared awareness of climate-related risk. This involves reporting such matters to the ERM Committee and the Executive Management Committee on a regular basis, upon having monitored climate change risk as one of the emerging risks, in the form of potential events that could substantially affect Sumitomo Life in the future amid a scenario where such risk newly emerges or undergoes transformation due to environmental change or other such developments.

When it comes to asset management, we take climate change and other ESG factors into consideration when making investment and loan decisions and furthermore carry out engagement activities involving dialogue on climate change with investees.

Metrics and targets

We initially aim to achieve the GHG emissions reduction targets shown on the previous page, on our path to realizing carbon neutrality in 2050. Our actual emissions results are as shown in the table below. A third-party organization has assured the latest emissions data.

	Units	Fiscal 2013	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Scope 1 + 2	t-CO_2e	50,114	46,468	46,768	38,813	30,477
Scope 1	t-CO_2e	5,198	4,505	2,899	2,716	2,340
Scope 2	t-CO_2e	44,916	41,963	43,869	36,097	28,137
Scope 3*	t-CO_2e	–	163,547	159,281	142,775	123,706
Asset portfolio	Millions t-CO_2e	–	–	–	8.7	–

* It includes Category 1, 3, 4, 5, 6, 7, 12 and 13.

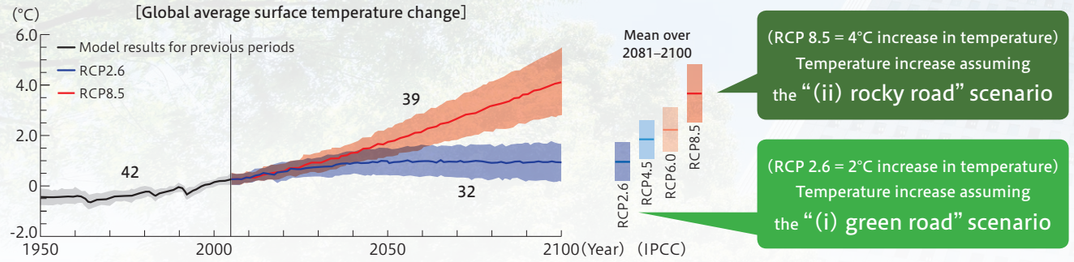
Please refer to the Sumitomo Life website for details.
https://www.sumitomolife.co.jp/english/about/csr/pdf/ias2021.pdf

Sumitomo Life has conducted scenario analysis* seeking to identify the effects of climate-related risk on the life insurance business (payments of insurance claims, etc.) and the asset management business, pursuant to TCFD recommendations.

* The scenario analysis was performed with the use of reports released by entities such as the "Intergovernmental Panel on Climate Change" (IPCC) and the Ministry of the Environment, academic papers, and other existing materials.

Identifying and defining scenarios

We identified two socio-economic scenarios for use in this analysis: "(i) Society takes the green road," and "(ii) Society takes the rocky road," which serve as assumptions for considering how selected risks might develop in the future.



Scenario (i) (Society takes the green road)

- Average temperature increases by 2°C by 2100
- Society transitions to a more sustainable trajectory amid progress achieved in advances emphasizing environmental constraints; Population decline is relatively alleviated
- Regional disparities are reduced, and forest and agricultural land is properly managed
- High levels of resource efficiency achieved due to factors that include abolition of subsidies for fossil fuels
- Renewable energy becomes a more attractive investment option
- Ease of mitigating climate change and adapting to its effects

Scenario (ii) (Society takes the rocky road)

- Average temperature increases by 4°C by 2100
- Emergence of nationalism, divisiveness and widening economic disparity; Many geographic regions encounter sharp population decline and financial difficulties
- Difficulty in providing infrastructure and services; Progression of environmental destruction amid a scenario of less priority assigned to environmental issues
- No improvement in energy efficiency, drastic structural change lacking
- Ongoing use of low-cost coal-fired power generation and nuclear power as a primary power source
- Difficulties encountered in mitigating climate change and adapting to its effects

Effects on the life insurance business (payments of insurance claims, etc.) and addressing such effects

Impact

The "rocky road" scenario involving an increase in average temperature of 4°C delivers the most significant effect on the life insurance business. Evaluation results thereof are as follows.

Evaluation findings indicate that heat would have a particularly substantial effect on the life insurance business, especially in terms of the scenario culminating in rising mortality over the medium to long term among vulnerable populations such as the elderly and those with underlying medical conditions. However, we anticipate this scenario would not substantially affect profit from insurance products. This is because we regularly revise expected mortality rates used in calculating rates of premium with respect to life insurance products, meaning that insurance premiums would reflect the impact of a situation where chronic change in mortality rate due to climate change occurs.

Results of analysis

Rocky road scenario

Situations related to the life insurance business			Relevance to the life insurance business	Effects on mortality		
Situation		Trend		Short term 2025	Medium term 2030	Long term 2050
Winter warming	Winter mortality rate, etc.	Unchanging	No significant effect on healthy life expectancy	Minor	Minor	Minor
Heat	Mortality risk, etc.	Increasing	Decrease in healthy life expectancy	Minor	Moderate to major	Major
	Heat illness, etc.	Increasing	The number of people falling ill will increase and healthy life expectancy among the elderly demographic will decrease. It is highly likely that the emergency medical system will face difficult circumstances, with the considerable increase in ambulance transport placing much strain on limited capacities (however, it is difficult to quantitatively assess such situations).	Minor	Moderate to major	Major
Infectious disease	Water-based and food-borne infectious disease	Unchanging/ Increasing	Increase in the number of people falling ill	Minor	Minor	Minor
	Arthropod-borne infectious disease	Unchanging/ Increasing	Increase in the number of people falling ill	Minor	Minor	Minor
	Other infectious disease	Increasing	Increase in the number of people falling ill	Minor	Minor	Minor
Others	Combined impact of global warming and air pollution	Increasing	Increase in the number of people falling ill	Minor	Minor	Minor
	Impact on highly vulnerable populations	Increasing	The number of people falling ill will increase and healthy life expectancy will decrease among the elderly demographic and those with underlying medical conditions.	Minor	Moderate to major	Major
	Other effects on health	Increasing	Increase in the number of people falling ill	Minor	Minor	Minor

Winter warming

- Mortality may decrease due to winter warming under the strong assumption that the prevailing temperature-mortality curve as well as demographics and other socio-economic conditions are universal.
- However, it is difficult to predict developments brought about by global warming in this regard going forward given that the temperature-mortality curve has varied over time from the past to the present. Mortality also varies from prefecture to prefecture.
- Therefore, it is currently difficult to predict future effects.

Heat

- Mortality due to heat is likely to increase.
- In particular, mortality may increase over the medium to long term among vulnerable populations such as the elderly and those with underlying medical conditions.
- Under the rocky road scenario in particular, heat is likely to substantially affect the life insurance business over the medium to long term as climate change progresses.

Infectious disease

- Whereas there may be an increase in the incidence of infectious disease such as water-borne disease, dengue fever and the chikungunya virus caused by increases in infected mosquitoes in urban locations, this will not substantially affect mortality in Japan.

Others

- There may be an increase in the incidence of allergies, infectious disease, etc. caused by rising humidity, but this will not substantially affect mortality in Japan overall.
- However, mortality may increase in the medium to long term, particularly among vulnerable populations such as the elderly and those with underlying medical conditions.

*Severity of respective situations has been ranked under one of three categories, either minor, moderate or major, based on the relative magnitude of impact on business activities.

Countermeasures

With respect to increase in mortality, we will keep considering options for analyzing effects on payments of insurance claims and benefits, closely monitor the movements of regulatory authorities in major countries, and take necessary countermeasures.

Moreover, we will proceed with our efforts going forward in terms of considering options for expanding the scope of analysis, particularly that involving effects of wind and flood damage on business locations and effects on sales activities.

Effects on the asset management business and addressing such effects

Impact

The "green road" scenario involving an increase in average temperature limited to 2°C delivers the most significant effect on the asset management business. Evaluation results thereof are as follows.

Evaluation results indicate that certain risk events may moderately affect the asset management business even in the short term (2025) amid a situation of substantial effects on the business stemming from changes of government policies and/or regulations (e.g. carbon pricing, information disclosure), and movement of technology (e.g. ongoing use of existing technologies, development of new ones).

Results of analysis

Green road scenario

Situations related to the asset management business			Relevance to the asset management business	Effects on the portfolio		
Category	Subcategory	Trend		Short term 2025	Medium term 2030	Long term 2050
Policy and legal	Carbon pricing	Strengthened	Affects corporate value of the portfolio	Moderate	Major	Major
	Information disclosure	Strengthened	Affects our information disclosure and corporate value of the portfolio	Moderate	Major	Major
	Fossil fuel regulation	Strengthened	Affects corporate value of the portfolio	Minor	Moderate	Moderate
Technology	Ongoing use of existing technologies	Decrease	Negatively affects corporate value of the portfolio	Moderate	Major	Major
	Development of new technologies	Progress	Positively affects corporate value of the portfolio	Moderate	Major	Major
Market	Transformation of consumer behavior	Progress	Affects corporate value of the portfolio	Minor	Moderate	Moderate
	Changes of existing markets and emergence of new markets	Progress		Minor	Moderate	Moderate
Reputation	Changes in consumer preferences	Progress	Affects corporate value of the portfolio	Minor	Moderate	Moderate
	Information disclosure emphasis and monitoring	Strengthened	Affects our information disclosure and corporate value of the portfolio	Moderate	Moderate	Moderate
	Dialogue with stakeholders	Strengthened		Moderate	Moderate	Moderate
	Dialogue with NGOs	Strengthened		Moderate	Moderate	Moderate

Policy and legal

- We could become subject to policy and legal effects to a certain degree mainly with respect to portfolio companies with many coal-related asset holdings if regulatory reform and standardization aligned with green growth strategies gain traction early on.
- Policy and legal effects could emerge early on with respect to information disclosure, particularly amid a scenario of progress achieved in drawing up uniform regulations internationally.
- When it comes to fossil fuels, the direction of policy is anticipated to be more toward carbon pricing and disclosure requirements than regulation.

Technology

- Technologies may affect both companies with high Scope 1 and/or 2 emissions, and those with high Scope 3 emissions.
- However, for companies with high Scope 3 emission, it is necessary to pay attention to type of industry (Industries: Mining and sales of fossil fuels; sales of automobiles, air conditioners and other such products; etc.)

Market

- As investors reduce their investments in companies with high GHG emissions and/or as consumers reduce their purchases of goods and services from such companies, the value of such companies may decrease. Eventually, value of our investment portfolio may decline.

Reputation

- More robust emphasis on information disclosure and monitoring may be imposed early on if regulations on information disclosure become more stringent or if swift progress is made in establishing uniform standards internationally.
- Various forms of engagement taking the aforementioned information disclosure into account could become more stringent and achieve progress early on.

* Severity of respective situations has been ranked under one of three categories, either minor, moderate or major, based on the relative magnitude of impact on business activities.

Countermeasures

Based on these findings, we will analyze GHG emissions resulting from Sumitomo Life's asset portfolio while also striving to furthermore analyze transition risks and physical risks.