

# 2024 Responsible Investment Report

- As a responsible asset owner -



Empowering your future





**Aiming to secure  
investment returns and  
create social impact  
through responsible  
investment**

**Iwao Matsumoto**  
Senior Managing Executive Officer

### **Our commitment to sustainability since founding**

Since our founding, Sumitomo Life has been committed to supporting the lives of customers and contributing to customers and society through the life insurance business under our purpose (reason for existence) of “contributing to the advancement of social and public welfare.”

This purpose is listed as Article 1 of our corporate policy “Management Policy” and upholds Sumitomo Life’s Business Principles passed down constantly over the past 100 years. The philosophy makes it possible to solve social issues and increase corporate value at the same time and brings about sustainability of the Company as well as that of customers and society.

In recent years, climate change issues, such as intensifying wind and flood damage caused by heavy rains and typhoons, have had a significant impact on people’s lives and become an urgent issue to be tackled globally. Various environmental and social issues are also emerging, such as widening economic disparities, poverty, human rights issues, and social divisions caused by wars and other factors. In light of this, we believe that the realization of the sustainable society we are aiming for is becoming increasingly important.

### **Our mission as an institutional investor**

In order to contribute to solving such diverse social issues, it is extremely important for us to tackle them from the perspective of an institutional investor with an asset management portfolio of approximately 35 trillion yen, and I believe that this will have a significant impact on society.

As a company engaged in the medium- to long-term business of life insurance, we believe that our mission is to secure stable investment returns over the medium to long term through asset management, contribute to the realization of a sustainable society, and contribute to the well-being of each and every customer. Based on this mission, we will further promote “responsible investment,” asset management that takes sustainability, such as environmental and social issues, into consideration.

### **Toward creating social impact**

We are mainly working on responsible investment from both the perspectives of financing and engagement.

For financing, we are working to create social impact by setting investment targets\* in the sustainability field. As investment opportunities are expected to increase with the transition to a decarbonized society, we are focusing on infrastructure investments such as renewable energy and transition financing.

For engagement, we aim to improve corporate value over the medium to long term through constructive dialogue with companies and the exercise of voting rights. In addition to governance, which was the main theme when we first started conducting dialogue, in recent years we have expanded the scope of our dialogue to include ESG issues, such as those pertaining to the environment and society.

\* For ESG thematic investment, we have set a target of 700 billion yen cumulative (including 400 billion yen cumulative in climate solution investment) during the Medium-Term Business Plan (FY2023-2025).

### **Creating a new society through a virtuous cycle of responsible investment**

As our responsible investment is still underway, we will further enhance our initiatives while paying attention to the extent of our contributions (impact) to realizing a sustainable society.

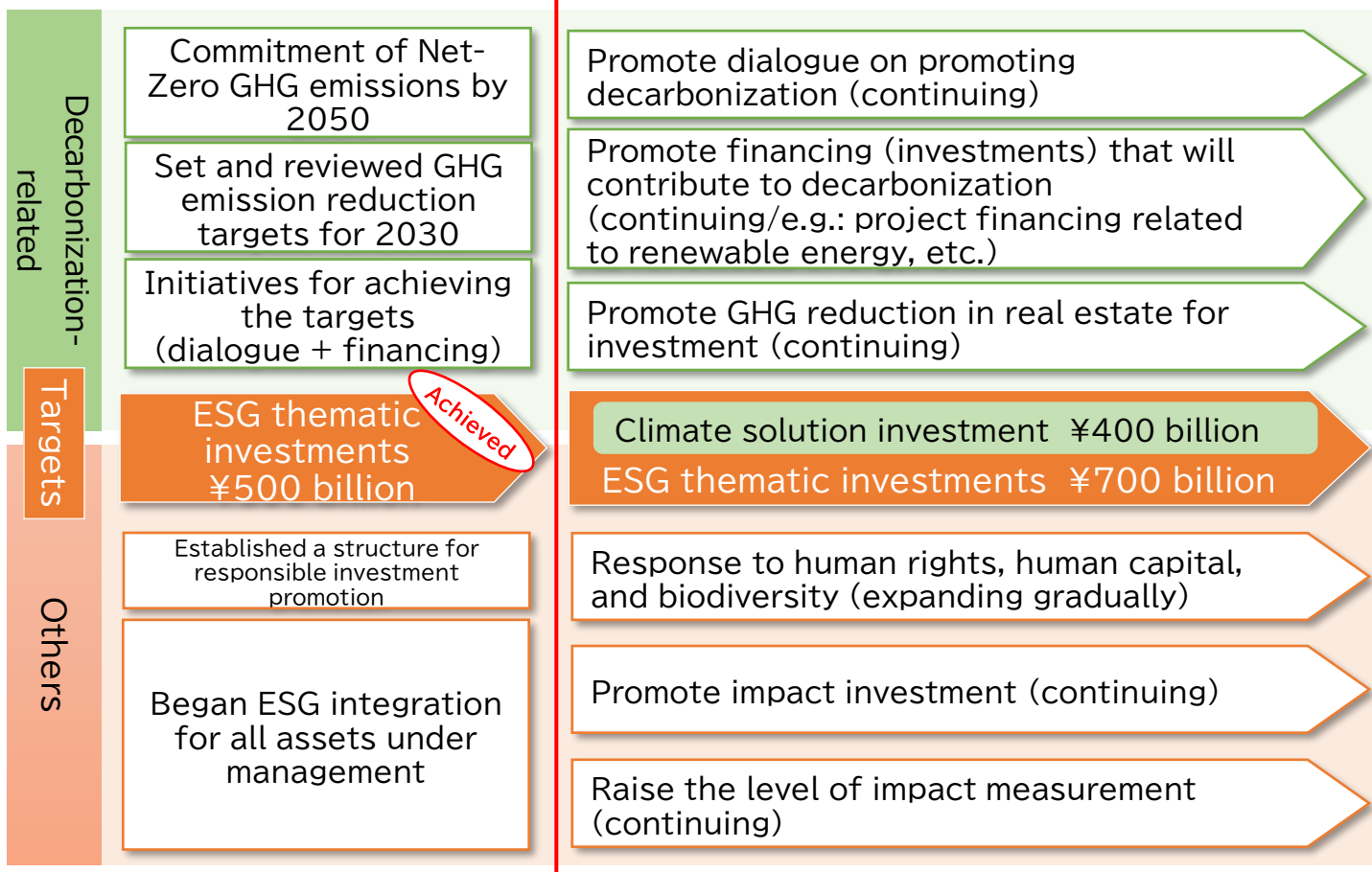
Through responsible investment, we aim to have a positive impact on the world and bring about change for a better society. Then, we will work to increase the medium- to long-term investment returns of our asset management portfolio, thereby providing even greater returns to our customers. Each and every employee will be responsible for “investment activities aimed at creating a new society,” and while experiencing the social significance and fulfillment of their work, they will further promote responsible investment. This is the kind of virtuous cycle we want to create.

# Initiatives for Responsible Investment (Transition)

- Sumitomo Life signed the PRI (Principles for Responsible Investment) in April 2019. We established a structure in 2021 and began to promote responsible investment.
- During the current Medium-Term Business Plan, we will work further on a wide range of ESG issues including decarbonization, and visualization and creation of impact.

2019    Previous Medium-Term Business Plan    Current Medium-Term Business Plan    ~2050

(Principles for Responsible Investment)  
Signing the PRI



~2030

Achieve a GHG reduction target of 50%  
Contribute to the achievement of the SDGs

Realize a sustainable society &  
a decarbonized society

# Initiatives for Responsible Investment (by Item)

## Financing

(Targets and results of ESG thematic investments)

(to the end of August 2024)

Fiscal 2023-2025 (Cumulative total of three fiscal years)	Target: ¥700.0 billion (Results: ¥558.9 billion)
Of which, Climate solution investment	Target: ¥400.0 billion (Results: ¥342.2 billion)

(Results/Cumulative total of impact investment)

To the end of August 2024	¥90.2 billion
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(Results/Cumulative total of transition Finance)

To the end of August 2024	¥31.2 billion
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(Other New Initiatives)

- Development of the Sumisei Sustainable Finance Framework

## Status of GHG\*<sup>1</sup> Reduction in the Asset Portfolio

2030 reduction target	Results for fiscal 2022
50% reduction* <sup>2</sup> (Compared with fiscal 2019)	34.2% reduction (Compared with fiscal 2019)

\*1 Abbreviation for greenhouse gas.

\*2 Indicator: GHG total emissions from the asset portfolio divided by the amount of balance held

## Constructive Dialogue with Investee Companies (Domestic Listed Stocks)

Number of dialogues in fiscal 2023	119 dialogues
Cumulative number (since 2016)	398 companies
Market value we hold* <sup>3</sup>	82%

\*3 A proportion of the entire portfolio of domestic listed stocks.

## Impact Measurement\*<sup>4</sup>

Environment	Contribution to GHG reduction: 959,000 t-CO <sub>2</sub> e/year, etc.
Society	Total of Various Beneficiaries* <sup>5</sup> : 1,964,000/year

\*4 Calculated based on available data including issuers' disclosed information.

\*5 Please refer to page 26 for the breakdown.

## Governance/Human Capital Development

- Active participation in various initiatives
- Conduct awareness raising activities through speaking in events and lectures at universities, etc.
- Holding various internal study sessions related to responsible investment
- Providing e-learning programs on trends in responsible investment
- Recommend acquiring certification of Eco Test for employees in the asset management department

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- Policy and Basic Approach
- Governance Structure
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- Participation in Initiatives
- Collaboration and Human Capital Development

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# System for Promoting Responsible Investment

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# Corporate Policy and Sustainability Management Policy

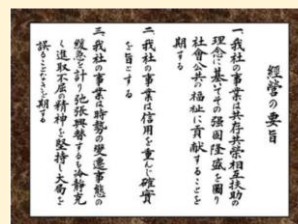
- Sumitomo Life lists its reason for existence (purpose) of “contributing to the advancement of social and public welfare” as Article 1 of the “Management Policy,” which is its corporate policy, and it has established a “Sustainability Management Policy” as the mission to fulfill.
- Based on this purpose and mission, we promote “responsible investment,” asset management that takes medium- to long-term sustainability including the ESGs (environmental, social, and governance) into consideration, while ensuring stable investment returns over the medium to long term as an institutional investor.

## Policy Structure

The Company sets the “Management Policy,” which is our corporate policy that represents the fundamental spirit of our operations, as the apex, and holds “Sustainability Management Policy,” which expresses the universal mission stated in the Management Policy from a sustainability perspective, and the “Sumitomo Life Brand Vision,” which characterizes the image of the Company that we aim to become in the medium- to long-term from a customers’ perspective, as our operating policy.



### ● Management Policy



The “Management Policy” was formulated in 1952 to stipulate the unwritten fundamental policy on our operations which had been adhered to until then. The policy upholds Sumitomo’s Business Philosophy which underlies the “Monjuin Shiigaki” which Masatomo Sumitomo, the founder of the Sumitomo family, wrote 400 years ago to offer guidance on how a merchant should conduct business, as well as “Business Principles” listed in the “Rules Governing the House of Sumitomo.”

The principles make it possible to “solve social issues” and “improve corporate value” at the same time and brings about sustainability of the Company as well as that of customers and society.

### ● Sustainability Management Policy

We list in the “Sustainability Management Policy” as follows: “contribution to the realization of a society of health and longevity through the sound operation and development of the insurance business,” “contribution to the realization of a sustainable society through efforts to solve social and environmental issues.” This policy also stipulates that “paying insurance claims are fundamental to the insurance business, and to pay them correctly, promptly, and reliably we will strive to manage assets stably over the medium to long term and ensure a sound financial base.”



# Policy and Basic Approach

- Sumitomo Life is implementing initiatives needed to contribute to the realization of “well-being for all,” in order to realize a society of affluence, vitality and longevity from both the perspective as a life insurance provider and as an institutional investor under the “Sustainability Management Policy.”
- From the perspective of an institutional investor, in order to further create social and environmental impacts\*1, we consider ESG\*2 factors when managing all our assets. We are promoting responsible investment with the aim of both contributing to the realization of a sustainable society and securing stable investment returns over the medium to long term.
- We also believe that our responsible investment, which aims to both secure investment returns and solve social issues, aligns with the direction of the “Policy Plan for Promoting Japan as a Leading Asset Management Center” announced by the Japanese government\*3. In addition, we have publicly announced\*4 our endorsement and acceptance of the “Asset Owner Principles.”

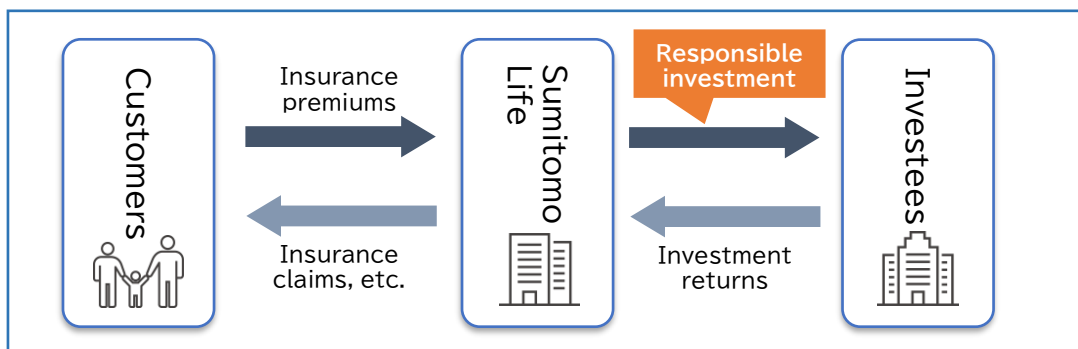
\*1 In addition to creating positive and measurable social and environmental impacts, we aim for investment behavior that mitigates the negative impact.

\*2 Refers to Environment, Society, Governance.

\*3 Please refer to [News Release on January 23, 2024](#) (in Japanese) regarding the Sumitomo Life Group’s efforts for promoting Japan as a leading asset management center.

\*4 Please refer to [News Release on October 10, 2024](#) (in Japanese) regarding the acceptance of the “Asset Owner Principles.”

## Conceptual Diagram (Responsible Investment)



Toward Realization of a Sustainable Society through the Creation of Social Impact



## Investments in Well-being Contribution Areas

We actively work on investments in the well-being contribution areas set in Sumitomo Life Group Vision 2030.

Improving the Global Environment  
(Climate change area)

Contributing to health promotion  
(Healthcare area)

Revitalizing Human Resources/Higher Engagement  
(Human capital area)

Supporting fulfilling lifestyles and all generations  
(Infrastructure investment area)



# Governance Structure

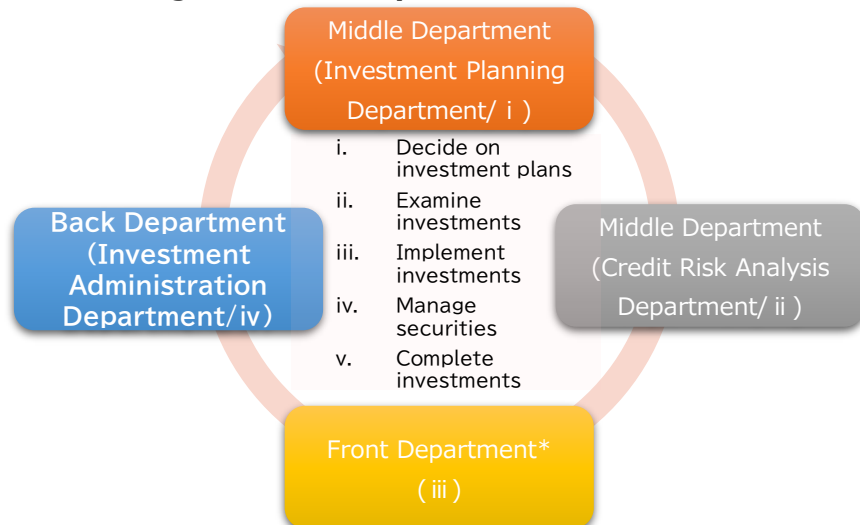
- Sumitomo Life is unitedly promoting responsible investment as an institutional investor under the framework shown in the chart below, by formulating and disclosing our Basic Principles on Responsible Investment.

## Basic Principles on Responsible Investment

- Basic Approach to Responsible Investment
- Basic Initiatives for Responsible Investment
- Response to ESG Issues
  - (Attachment1) Policy for Sectors with High Social and Environmental Risk
  - (Attachment2) Adherence to Principles of Japan's Stewardship Code

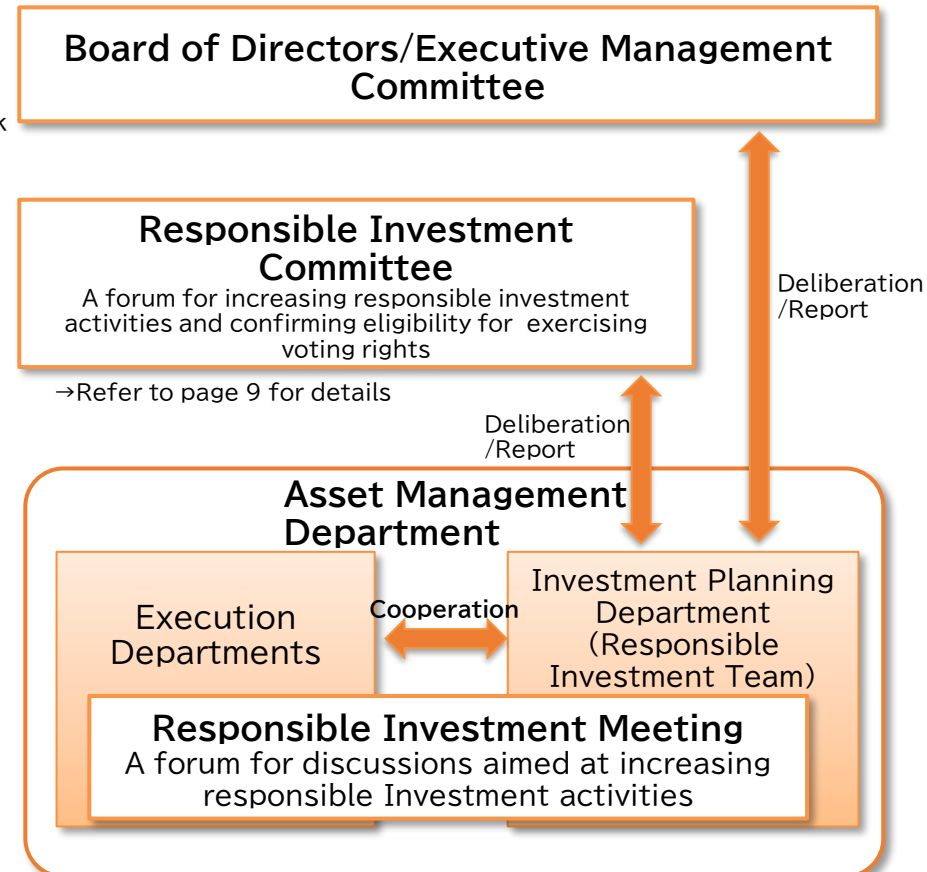
\* Please refer to [Company's website](#) for the Basic Principles on Responsible Investment.

## Value Chain in the Asset Management Department



\* ALM Securities Investment Dept., Loan Dept., Real Estate Dept., Balanced Portfolio Investment Dept., Separate Account Investment Dept.

## Organizational Structure



# Responsible Investment Committee

- The Responsible Investment Committee consists of 3 external members and one internal member. It conducts wide-ranging discussions of responsible investment activities, including the management of conflicts of interest in exercising voting rights\*1, and utilizes these discussions to enhance its responsible investment initiatives.

\*1 Conflicts of interest are managed and supervised by the Compliance Control Department.



(From left: Mr. Miura (Chairman); Ms. Konno (Member); Mr. Kokubu (Member); Mr. Matsumoto (Member))

## Committee composition

Chairman: Ryota Miura	Lawyer, Miura & Partners	External
Katsuhiko Kokubu	Professor, Kobe University	External
Shiho Konno	Lawyer, Shiho Konno Habataki Law Office	External
Iwao Matsumoto*2	Senior Managing Executive Officer (in charge of the asset management department)	Internal

\*2 Not involved in deliberations on conflicts of interest in exercising voting rights.

## Deliberation Details of RIC Meetings

Period held	Main matters for deliberation
August 2023	<ul style="list-style-type: none"> <li>• Review and annual plan for stewardship activities</li> <li>• Revision to the Guidelines for Exercising Voting Rights</li> </ul>
February 2024	<ul style="list-style-type: none"> <li>• Review and annual plan for responsible investment</li> <li>• Exchange of opinions on ESG fields (promotion of the active participation of women and human capital fields, use of AI)</li> </ul>
March 2024	<ul style="list-style-type: none"> <li>• Report on status of stewardship activities</li> <li>• Exchange of opinions on ESG fields (improving effectiveness of the Board of Directors)</li> </ul>
June 2024	<ul style="list-style-type: none"> <li>• Suitability of exercising voting rights at general meetings of shareholders</li> <li>• Report on status of stewardship activities</li> </ul>

## RIC Meetings' Themes

### (Improving Effectiveness of the Board of Directors)

During fiscal 2023, the Responsible Investment Committee held discussions on themes such as improving effectiveness of the Board of Directors. This theme was selected based on the recognition that governance is the most important foundation for sound corporate development, and that it is becoming increasingly important for the Board of Directors to fulfill its functions more effectively.

We will continue to increase the level of our responsible investment by applying the discussions by the Responsible Investment Committee to our stewardship activities.

(The following page provides a summary of the discussions held.)

# Improving the Effectiveness of the Board of Directors

## Discussions at the Responsible Investment Committee Meetings

### Mechanism for outside directors to fulfill their functions (Katsuhiko Kokubu, Member)

While outside directors need to occupy a certain percentage of the Board of Directors, if they are unable to fulfill their functions adequately, there is a risk of a decline in overall governance of the company in a situation where the percentage of internal directors is declining.

Moreover, policies intended to improve the effectiveness of outside directors, such as the disclosure of skill matrices and effectiveness evaluations, are often seen as formalities, and in many cases, not functioning satisfactorily. Assessing the ability of outside directors, who supervise management and contribute to policy promotion, is essential, and I hope that this will continue to be a key theme in future conversations.

In addition, it is vital for us to engage in dialogue with outside directors at investee companies. Such dialogue is a positive initiative that will instill a sense of urgency in outside directors.



(Mr. Kokubu, Member)

### Ensuring diversity on the Board of Directors and promoting women's active participation (Shiho Konno, Member)

Gender diversity on the Board of Directors contributes to improved oversight, enhanced human capital, and promotion of innovation. Rather than simply filling in the numbers, we need to truly understand why female directors are needed.

It has been said that one of the reasons for past scandals at Japanese companies is that homogeneous companies tend to run in a single direction headfirst. Management needs to be supervised from a diverse range of perspectives.



(Ms. Konno, Member)

Another role of female directors is to create a comfortable working environment for women in order to promote the active participation of women.

Furthermore, from my own experience, it feels quite different when there is only one female director compared to when 30% of the directors are female. It is important for women to make up at least 30% of the Board, a percentage which is often cited as the critical mass. I hope that investors will patiently encourage companies to promote this through dialogue and other means, including the appointment of women to managerial positions.

### Role of outside directors and agenda setting (Ryota Miura, Chairman)

The aim of the Companies Act in requiring listed companies, etc. to appoint outside directors is primarily to strengthen the supervisory functions of management overall and the supervision of conflicts of interest. If management and outside directors can come to an understanding on "what is expected of outside directors," I am sure mismatches in discussions at meetings of the Board of Directors can be reduced.

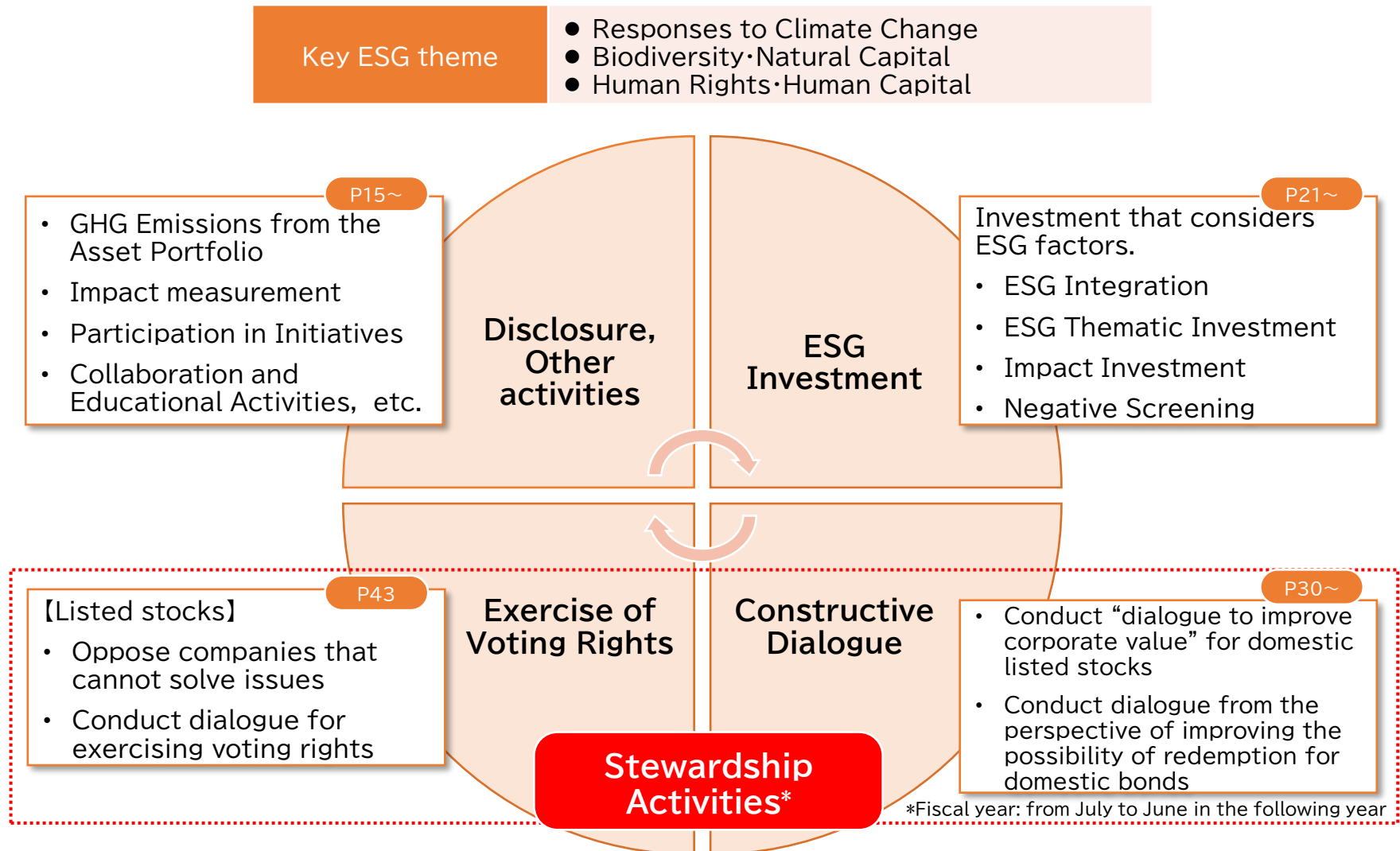
Proper agenda setting is also important to improve the effectiveness of the Board of Directors. Ideally, outside directors should be actively involved in agenda setting. One way to do this is to appoint a lead independent outside director who is responsible for compiling the opinions of outside directors.

Ensuring adequate information gathering channels for outside directors is another important issue. I would like investors to further encourage companies to accelerate their efforts by confirming, through dialogue, the information and means, etc., available to outside directors.



(Mr. Miura, Chairman)

# Activity Cycle



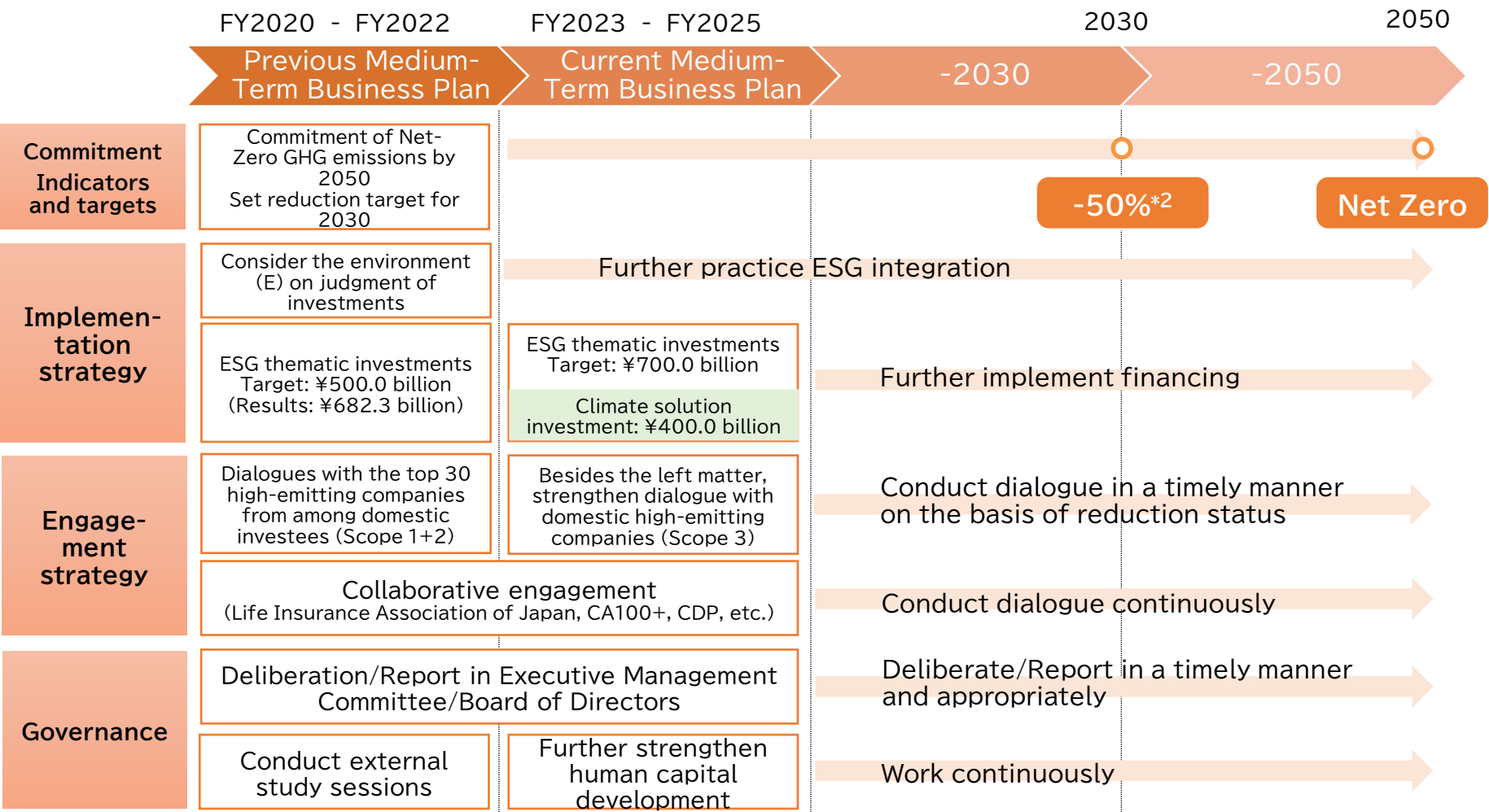
# 02

## Responding to Key ESG Themes

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# Transition Plans for Net-Zero in the Asset Portfolio\*1



\*1 Created based on suggestions in “Final Report of Financial Institution Net-zero Transition Plans” (published in November 2022) by GFANZ (Glasgow Financial Alliance for Net Zero).

\*2 Intensity compared with FY2019 (GHG emissions proportional to amount of balance held in the portfolio = GHG emissions from the asset portfolio divided by the amount of balance held).

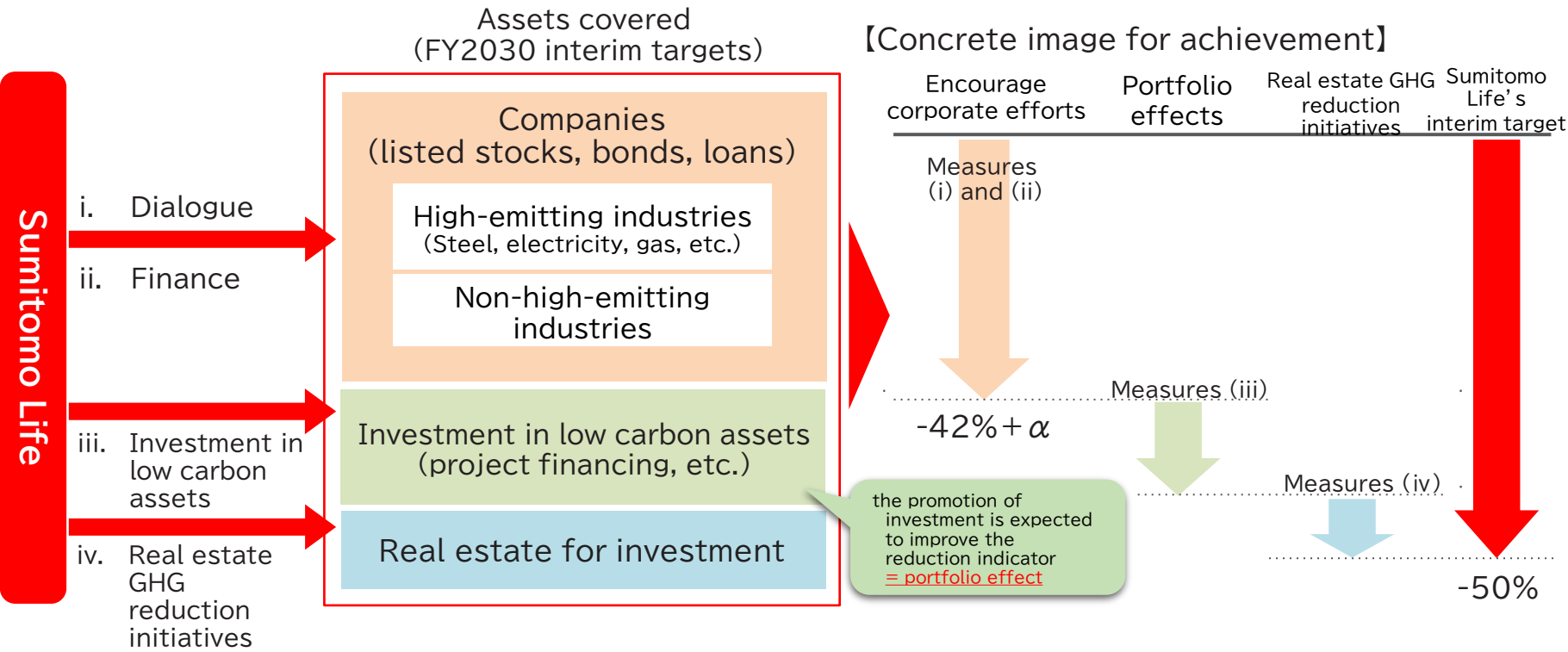


# GHG Emission Reduction Targets for 2030

- Sumitomo Life is aiming to achieve net-zero GHG\*1 emissions by 2050. We have set the 2030 interim targets\*2 of reducing GHG emissions for the asset portfolio, and we are working to achieve the target level through various measures.
- The main measures to achieve this are “dialogue with investee companies (i),” “climate solution investment\*3 (ii)(iii),” and “initiatives for GHG reduction in real estate for investment (iv),” and we consider divestment as a last-resort measure.

\*1 Abbreviation for greenhouse gas.  
\*2 Raised to -50% from -42% in March 2023. (Indicator: Intensity = GHG emissions divided by the current portfolio value)  
\*3 Investments aimed at reducing and adjusting for climate change. (Green financing to companies, transition financing, and investment in low carbon assets, etc.)

## Initiatives for GHG reduction for the asset portfolio

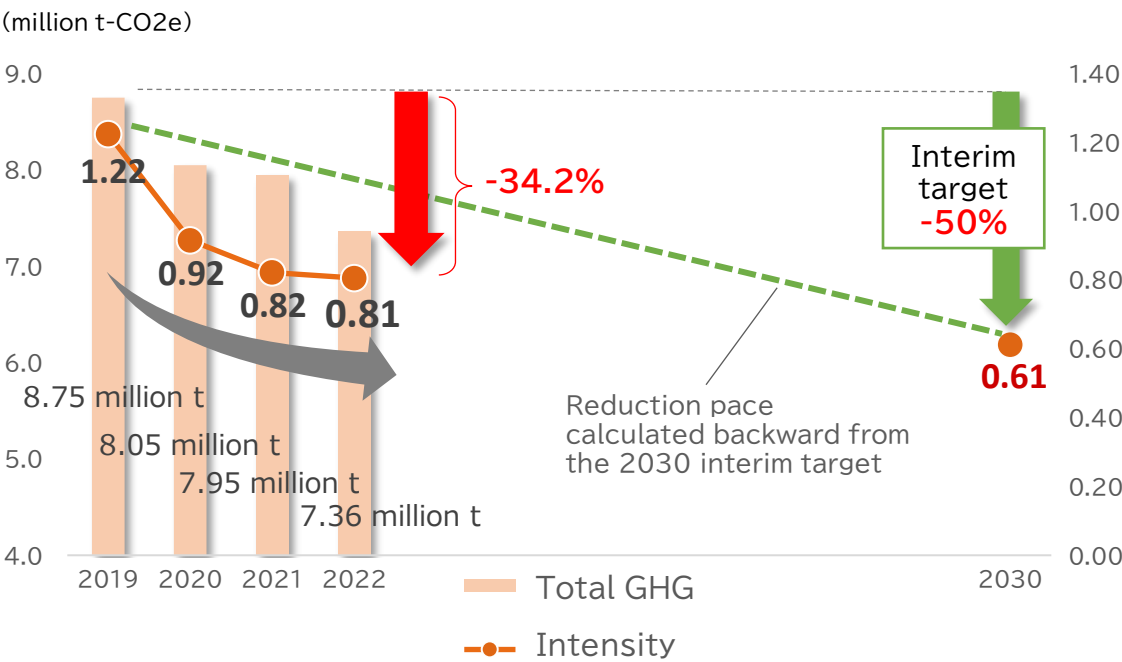




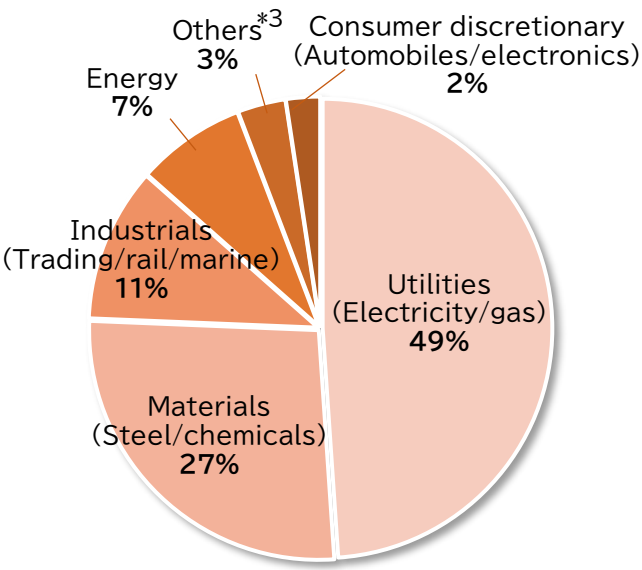
# GHG Emissions from the Asset Portfolio

- GHG total emissions from the asset portfolio\*1 in fiscal 2022 is a downtrend of 7.36 million t (down 15.9% compared with the base year). The intensity, used as an indicator, is at 0.81 t/million yen (down approximately 34.2% compared with the base year), exceeding the reduction pace calculated backward from the 2030 interim target.
- In terms of GHG total emissions by industry, utilities (electricity/gas, etc.) and materials (steel/chemicals, etc.) account for about 80% of the total. We will continue to encourage GHG reduction for such high-emitting companies through dialogue and financing.

## Total GHG from the asset portfolio\*1



## Total GHG by industry\*2



\*1 Assets covered are composed of listed stocks, corporate bonds, loans, real estate for investment, and infrastructure assets (including delegated assets that is available to measure). The absolute amount of GHG emissions from the asset portfolio is calculated (formula is below). We use published figures and estimated data for companies provided by MSCI. In the event that no GHG emissions data is distributed, we supplement by using parent company data or average figures by industry.

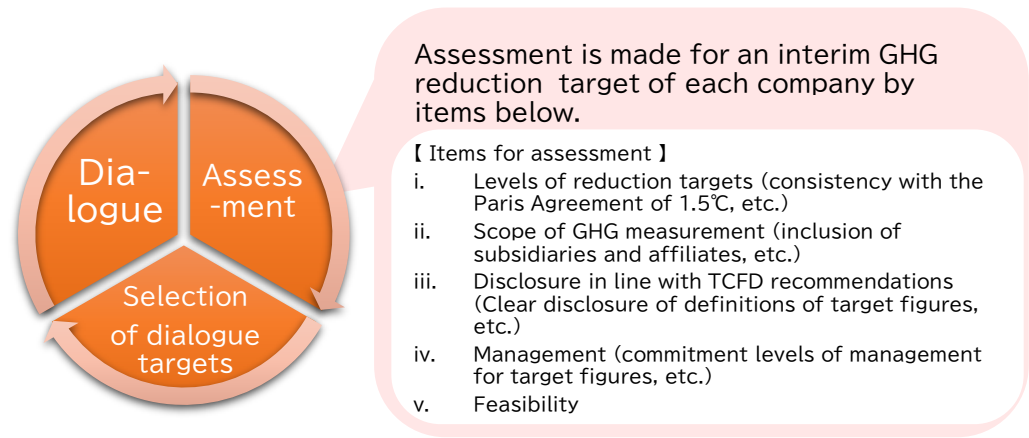
\*2 Industries are categorized according to GICS (Global Industry Classification Standard). The assets covered are composed of listed stocks, corporate bonds, and loans (excluding delegated assets).

\*3 Others represent financials/information technology/real estate/consumer staples/health care/communication services.

# Dialogue Activities with GHG High-emitting Domestic Companies

- Sumitomo Life focuses on dialogue with the top 30 high-emitting companies, which account for about 80% of GHG emissions (in Japan) in its asset portfolio.
- In doing so, we assess an interim GHG reduction target of each investee company by multiple items. For example, although feasibility tends to improve as a whole, the progress shows a polarized tendency. Therefore, we will continue to encourage each company to make improvements through dialogue based on their situations.

## Process for Dialogue on Climate Change

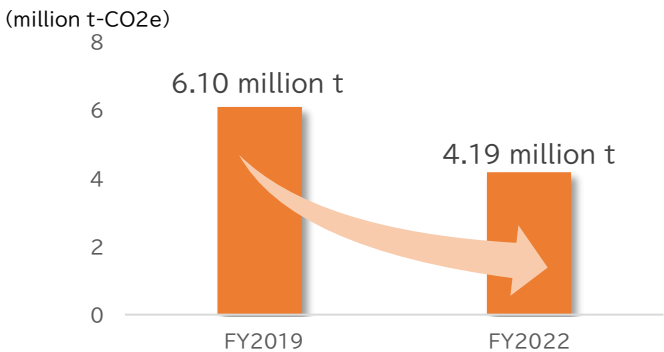


### Feasibility assessment of interim reduction targets

○: Yes (Assessment based on disclosed information and dialogue details)

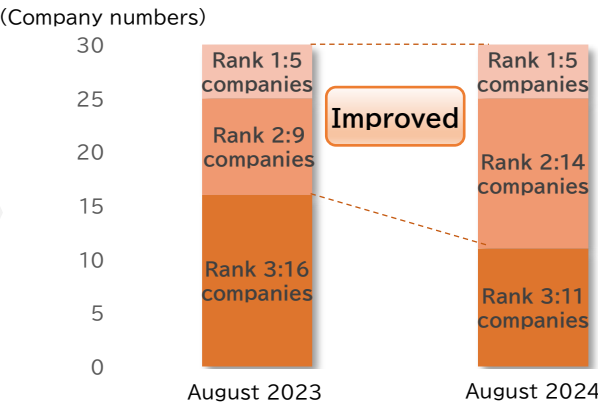
	Assessment rank	Specific measures to achieve goals	Investment plans to practice measures	(Expected) reduction effect of each of measures
High	Rank 1	○	○	○
	Rank 2	○	○ for any rank	
	Rank 3	○	—	—
Low	Rank 4	—	—	—

### GHG emissions from the top 30 high-emitting companies (domestic)\*1



\*1 The top 30 from our domestic investment portfolio (the end of March 2021)

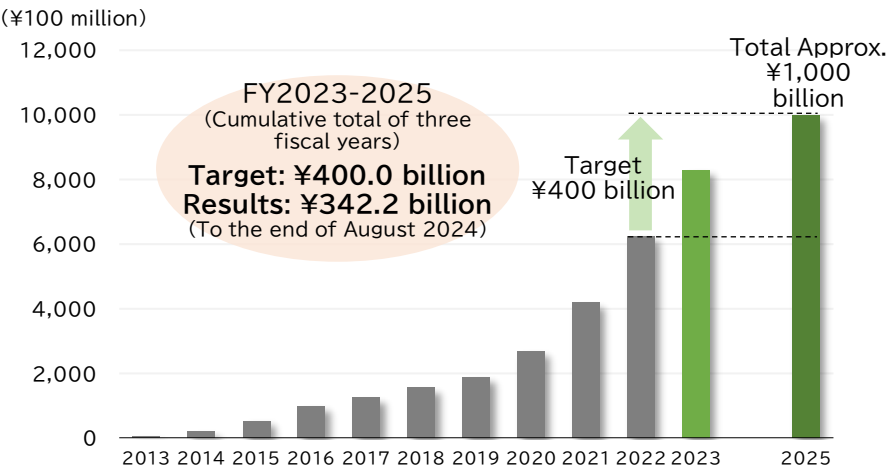
### Breakdown: Feasibility assessment



# Climate Solution Investment (1)

- Sumitomo Life promotes climate solution investment in order to realize a decarbonized society.
- Climate Solution Investment refers to investments aimed at reducing and adjusting for climate change, specifically, we work on investments in green financing, transition financing, and renewable energy projects.

## Target and results of climate solution investment



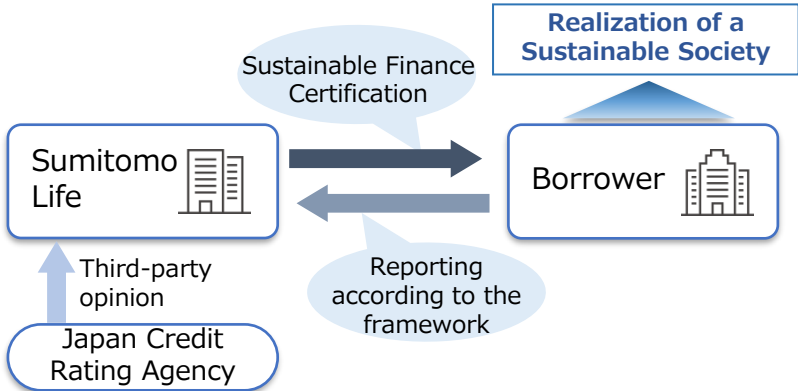
### Case Study Sumisei Sustainability Linked Loan

- Borrower: NIPPON THOMPSON CO., LTD.
- Investment amount: ¥0.8 billion (loan period of 5 years)
- Investment period: June 2024
- This loan features a mechanism in which the interest rate fluctuates depending on the borrower's achievement of sustainability performance targets aligned with GHG reduction targets, which provides incentives for GHG reduction efforts.

Please refer to [News Release on June 19, 2024](#) (in Japanese) for details.

## Sumisei Sustainable Finance Framework

- This framework is established to more actively meet the financial needs of companies as they promote their sustainability initiatives, and has received a third-party opinion (Japan Credit Rating Agency).



### [Reference] Loans that fall under this framework

Loans	Contents
Green loans	Loans used only for green projects with clear environmental benefits.
Sustainability linked loans	Sustainability performance targets are set, and loan terms are modified according to the achievement of these targets. Loan proceeds are not tied to specific projects.
Transition loans	Loans to companies/projects that are working to reduce GHG emissions in accordance with a long-term strategy to achieve a decarbonized society. Transition strategies and eligibility of use of proceeds are assessed.

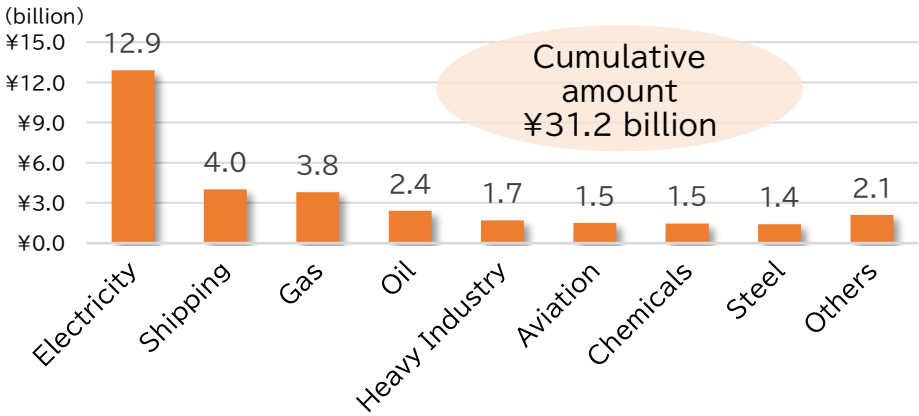
# Climate Solution Investment (2)-Transition Finance-

- GHG high-emitting industries and companies often find it difficult to decarbonize overnight, which necessitates a transition with steps. Transition finance is a method to encourage the transition.
- Transition finance often results in financing for GHG high-emitting companies, which may cause a temporary increase of GHG emissions in Sumitomo Life’s asset portfolio. However, we consider that transition finance contributes to medium- to long-term GHG reduction by all society as a result of investees’ efforts to reduce GHG emissions, and therefore, we work actively on transition finance, while assuming it will secure a certain level of return.

## Transition Finance Implementation

- With investment opportunities expected to further increase going forward due to the transition to a decarbonized society, we are focused on transition finance.
- We are actively investing mainly in transition bonds issued by operating companies and GX Economy Transition Bonds.
- After the implementation of investments, we will follow up with each investee through means such as dialogue on the progress of their transition plan and any necessary responses if there is a deviation from the plan.

### ● Status of Transition Finance Implementation (To the end of August 2024)



\* Others represent non-ferrous metals, automobiles, and sovereign bonds.

## Case Study

### Participation in a Transition-Linked Loan First Deal Utilizing a Financial Support System

- Borrower: Mitsui O.S.K. Lines, Ltd.
- Investment period: April 2024
- This is a syndicated transition-linked loan and the first deal in the marine industry using the financial support system (hereinafter, “Interest Subsidy Program”) for promoting a transition toward carbon neutrality. This is also the first deal we have utilized the Interest Subsidy Program.

Please refer to [News Release on April 25, 2024](#) (in Japanese) for details.

In November 2022, Sumitomo Life became a designated financial institution for the Interest Subsidy Program and was able to execute its first deal. Although there were some initial challenges in establishing systems for the exchange of documents and the receipt and disbursement of funds between relevant ministries and the borrower, the deal was successfully realized in the end. Going forward, we will continue to meet the needs of our business partners while contributing to the reduction of GHG emissions in society as a whole.



**Kaoru Nishii,**  
Loan Dept.

# Biodiversity・Natural Capital

- ❑ Conservation of natural capital and biodiversity is key initiative issues on sustainability that are closely linked to climate change response.
- ❑ In order to contribute to realization of Nature Positive\*1, we will strive to understand the impact of biodiversity on Sumitomo Life’s asset management while continuing to work actively on financing and dialogue with investee companies.

## Initiatives for Natural Capital and Biodiversity

- We are working to address natural capital and biodiversity through dialogue with investee companies and ESG thematic investments.
- In February 2024, we joined the international initiatives “Spring” and “NA100 (Nature Action 100)” that conduct collaborative engagement activities to address biodiversity conservation and restoration.
- We aim to improve our engagement activities through active involvement in these initiatives.



Nature Action 100

## Initiatives for Mitigation of Negative Impact

- In fiscal 2023, we established a policy to mitigate the negative impact, including the following one related to biodiversity.

### Negative Screening Policy (Biodiversity)

- We will require our investee companies to address biodiversity issues.
- Especially, we will require investee companies engaged in palm oil and forestry business to establish and publicly disclose policies (e.g., NDPE\*2) to ensure compliance with zero deforestation, etc.

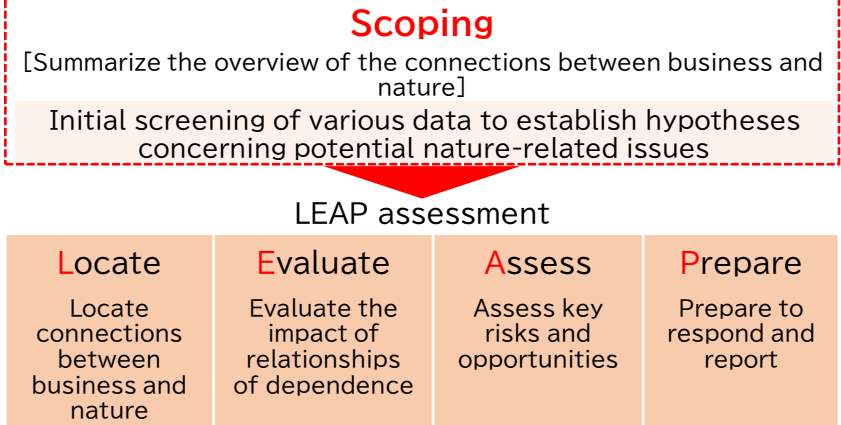
\*2 No Deforestation, No Peat, No Exploitation

## Respond to TNFD Recommendations

- Since TNFD recommendations were announced officially in September 2023, we were registered as a “TNFD Adopter” in January 2024, and we are working on early disclosure in line with the TNFD recommendations.
- In fiscal 2023, in order to understand the relationship between our investees and natural capital, we used analytical tools such as ENCORE, which is recommended by the TNFD, and assessed the impact and dependence of each industry on nature. We found that water-related issues (water usage and water supply) rated especially high in terms of impact and dependence\*3.
- We will continue to contribute to realization of Nature Positive by enhancing the level of our efforts.



### LEAP Approach Recommended by TNFD



\*3 Please refer to [Sumitomo Life official website](#) (in Japanese) for details.

# Human Rights

- We believe that our efforts to promote human capital management and address social issues such as responding to human rights issues related to our businesses, including supply chains, will not only mitigate business risks but also help to secure business opportunities and ultimately contribute to the realization of a sustainable society.
- Sumitomo Life has formulated and announced the “Sumitomo Life Group Human Rights Policy\*1,” and conducted a human rights risk assessment as the Sumitomo Life Group in fiscal 2023. From the position of an institutional investor, we will encourage investee companies to respect human rights through dialogue.

\*1 “Sumitomo Life Group Human Rights Policy” is disclosed on [Sumitomo Life official website](#).

## Initiatives for a Human Rights Risk Assessment (Sumitomo Life Group Initiatives)

- In fiscal 2023, the Sumitomo Life Group (Sumitomo Life and its subsidiaries in Japan) identified human rights risks, and specified and assessed the negative impact on human rights.
  - After identifying Groupwide key issues, we developed measures to prevent or mitigate these key issues\*2.
  - The identification of human rights risks, as well as the specification and assessment of the negative impact, are reviewed regularly every three years, in principle.
- \*2 Measures to prevent or mitigate these key issues are disclosed on [Sumitomo Life official website](#) (in Japanese).

## Dialogue Activities Relating to Respecting Human Rights (Initiatives as an Institutional Investor)

- In fiscal 2023, we conducted dialogue by considering respect for human rights as one of the key themes in dialogue activities.
  - We select target companies using external ESG scores, etc. after selecting industries at high potential risk with regard to human rights and considering the situation of companies as well.
  - As the main theme of dialogue, in fiscal 2023, we especially focused on human rights and labor environment issues in the supply chain (including the so-called year 2024 problem\*3).
- \*3 Problems caused in distribution and other industries as a result of working hour regulations of drivers by the Work Style Reform Act.

## Mitigation of the Negative Impact

- In fiscal 2023, we established a policy to mitigate the negative impact, including the following one related to human rights.

### Negative Screening Policy (Human Rights)

- (All sectors)
- In accordance with the “Sumitomo Life Group Human Rights Policy,” we will require our investee companies to respect for human rights.
  - We will not invest in companies or projects that cause child labor, forced labor, or human trafficking. If an investee company or project is found to have caused these human rights problems, we will ask the company or project to take corrective action and prevent recurrence. If no action is taken after a certain period of time, we will carefully consider whether to continue the investment.
- (Inhuman weapons)
- From a humanitarian perspective, we do not invest in companies or projects that manufacture specific weapons (cluster munitions, biological weapons, chemical weapons, anti-personnel landmines, nuclear weapons, etc.).

03

# ESG Investment

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# Overview of ESG Investment

## ① ESG Integration P23

- A method that incorporates ESG perspectives in addition to financial information in the investment decision-making process.
- In fiscal 2021, we began ESG integration that considers ESG factors for all assets under management based on asset characteristics.

Financial  
analysis

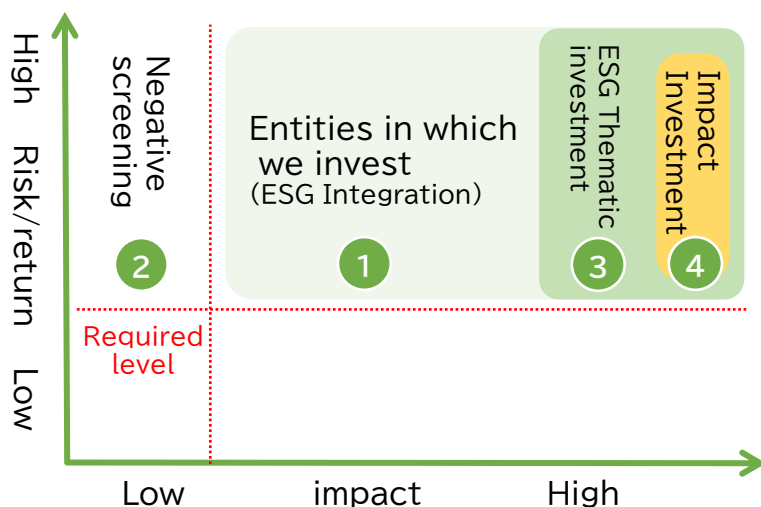
(e.g.)profitability, etc



Non-Financial  
analysis

(e.g.)analysis of materiality, etc

### 【ESG investment risk/return(image)】



## ② Negative Screening P24

- A method to exclude specific industries and uses of funds from the scope of investments.
- We prohibit investments in inhumane weapons manufacturers and coal, oil, and gas-related projects.

## ③ ESG thematic investment P25~

- Investments aimed at solving ESG issues and achieving the SDGs.
- We conduct impact measurement on environmental and social aspects.

Fiscal 2023-2025 (Cumulative total of three fiscal years)	Target: ¥700.0 billion (Results: ¥558.9 billion)
Of which, Climate solution investment	Target: ¥400.0 billion (Results: ¥342.2 billion)

※To the end of August 2024

## ④ Impact Investment P27~

- An investment approach that intends to create social and environmental impact alongside monetary return
- Results/Cumulative total of impact investment

To the end of August 2024	¥90.2 billion
---------------------------	---------------

# ESG Integration

- ❑ The sustainability initiatives of investees are an important aspect as they affect future corporate value.
- ❑ Therefore, Sumitomo Life launched ESG integration for all assets under management.
- ❑ When making investment decisions, we use data from external ESG rating agencies as a reference, but the final decision is made by our analysts.

## ESG Integration Method

	Methods of financial analysis, etc.		Consideration of ESG factors
<b>Listed stocks</b> <b>Corporate bonds and Loans</b>	Financial analysis (e.g.) profitability, growth potential	+	Incorporate ESG factors into ratings Consider qualitative ESG factors using in-house ratings Identify material ESG issues by industry <ul style="list-style-type: none"> <li>• Environment: GHG emission reduction targets</li> <li>• Social: Employee safety</li> <li>• Governance: Composition of Directors</li> </ul>
<b>Real estate</b>	Future cash flow analysis, valuation of legal and physical risk of properties, etc.	+	Confirm important ESG factors in stages, particularly including due diligence, monitoring, holding, and sale
<b>Project financing</b>	Future cash flow analysis, validation of project legal risk and completion risk, etc.	+	Confirm important ESG factors in stages, particularly including due diligence and monitoring
<b>Sovereign</b>	Macro-analysis for each country, etc.	+	Enlist ESG evaluations of external evaluators
<b>Outsourcing</b>	Investment methods, asset management platforms, etc.	+	Send a questionnaire regarding responsible investment, confirm the status of initiatives, and assign an ESG score (3-point scale).

# Mitigation of Negative Impact

- ❑ To mitigate negative impact, we have prohibited investments in inhumane weapons manufacturing companies and coal-fired power generation projects to date through negative screening (a method to exclude specific uses of funds, etc. from the scope of investments).
- ❑ However, social and environmental issues that need to be addressed are growing year by year, including human rights and biodiversity. To address these issues comprehensively, we have established and announced the “Policy for Sectors with High Social and Environmental Risk” in March 2024.
- ❑ We will review the policy as necessary and strive to mitigate negative impacts through our investments.

## Policy for Sectors with High Social and Environmental Risk

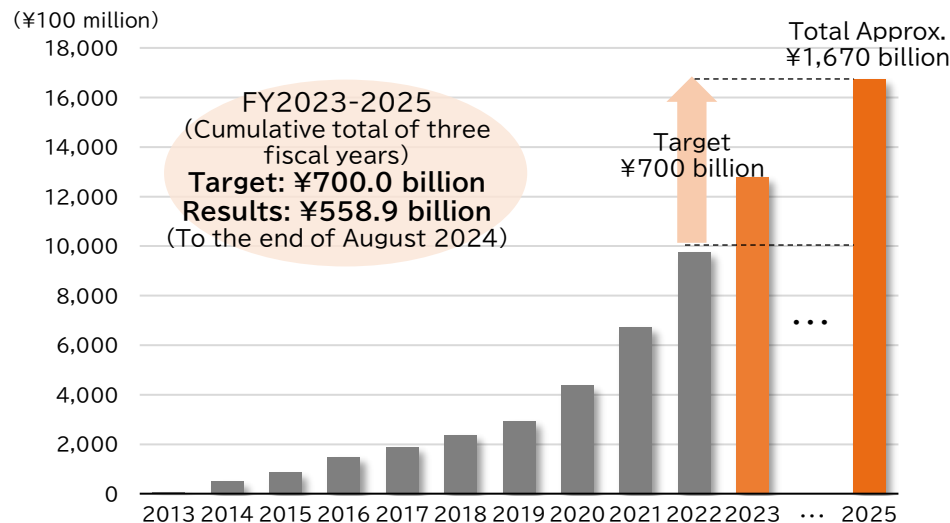
Theme	Sector	Assets	Policy
Human rights	All sectors	Equity, corporate bonds, loans, and project finance	<ul style="list-style-type: none"> <li>● In accordance with the “Sumitomo Life Group Human Rights Policy,” we will require our investee companies to respect for human rights.</li> <li>● We will not invest in companies or projects that cause child labor, forced labor, or human trafficking. If an investee company or project is found to have caused these human rights problems, we will ask the company or project to take corrective action and prevent recurrence. If no action is taken after a certain period of time, we will carefully consider whether to continue the investment.</li> </ul>
	Inhuman weapons		<ul style="list-style-type: none"> <li>● From a humanitarian perspective, we do not invest in companies or projects that manufacture specific weapons (cluster munitions, biological weapons, chemical weapons, anti-personnel landmines, nuclear weapons, etc.).</li> </ul>
Climate change	Coal, oil and gas	Project finance	<ul style="list-style-type: none"> <li>● We do not invest in coal, oil or gas related projects. (except for projects that are in line with our transition criteria.)</li> </ul>
Biodiversity	Palm oil, forest	Equity, corporate bonds, loans, and project finance	<ul style="list-style-type: none"> <li>● We will require our investee companies to address biodiversity issues.</li> <li>● Especially, we will require investee companies engaged in palm oil and forestry business to establish and publicly disclose policies (e.g., NDPE*) to ensure compliance with zero deforestation, etc.</li> </ul>

\* No Deforestation, No Peat, No Exploitation

# ESG Thematic Investment

- Sumitomo Life aims to contribute to solving social issues through finance. In particular, we are actively investing in well-being contribution areas ((1) climate change area, (2) healthcare area, (3) human capital area, and (4) infrastructure investment area).
- In order to create social impact, Sumitomo Life has set a target of 700 billion yen cumulative (including 400 billion yen cumulative in climate solution investment) during the Medium-Term Business Plan (FY2023-2025) in ESG thematic investments that contribute to solving social issues. After implementing these investments, we will follow up on the impacts generated.
- Going forward, we will enhance our initiatives while paying more attention to the extent of our contributions (impact) to realizing a sustainable society.

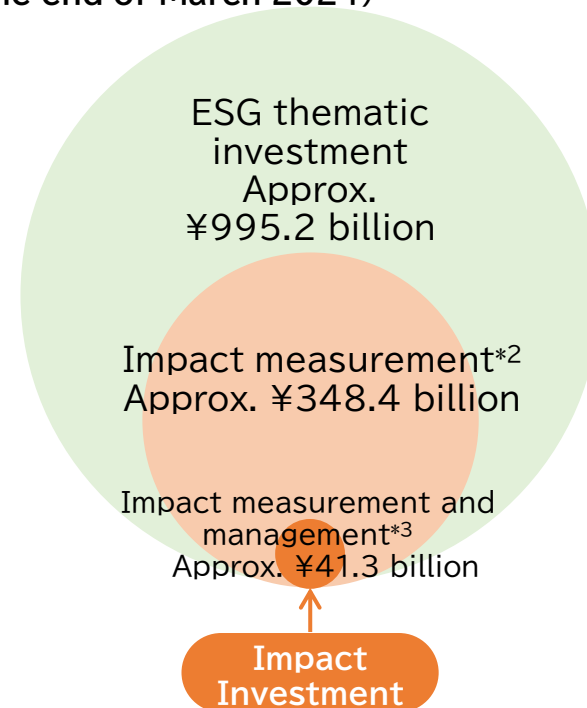
## Target and Results



### Assets covered

SDGs bonds/loans, renewable energy projects (project financing), infrastructure investment funds, etc.

## Balance of ESG Thematic Investments\*1 (the end of March 2024)



\*1 The balance as of the end of March 2024 of the cumulative amount invested in ESG thematic investments on the left (approx. ¥1,200 billion). The figures have difference from the actual invested amount as a result of consideration of sale and redemption.

\*2 The amount of impact measurement is the total of "to have intention of creating impacts" and "to have practiced impact measurement."

\*3 Furthermore, the amount of impact investment (impact measurement and management) includes the amount of "to have practiced impact management."

Please refer to page 3 for the amount of investment.

# Outcomes of ESG Thematic Investments - Impact measurement

- Sumitomo Life is focusing on creating positive and measurable social and environmental impacts, and has been working to measure the impacts created through its investments since fiscal 2022.
- However, only about 35% cases of entire ESG thematic investments were measured successfully on our contribution among the measurement cases, and we expect to obtain more expanded disclosure from investee companies. We will also encourage investee companies to disclose their impacts as necessary.

Balance of ESG thematic investments (with impact measurement): **348.4 billion yen**

## ● Main outcomes\*

### Contribution to avoided GHG emission

Approx. **959,000** t-CO<sub>2</sub>e/year

Emissions equivalent  
to 737,000 vehicles



### Forest and Land Conservation

Approx. **47,000** hectares/year

Approximately  
10,000 Tokyo Domes



### Beneficiaries of medical services

Approx. **809,000**/year



### Beneficiaries of microfinance

Approx. **800,000**/year

(Including women of  
approx. 682,000)



### Beneficiaries of safe drinking water

Approx. **355,000**/year



## ● Related SDGs

### Improving the Global Environment (Climate change area)

【Related SDGs】



### Contributing to Health Promotion (Healthcare area)

【Related SDGs】



### Revitalizing Human Resources/Higher Engagement (Human capital area)

【Related SDGs】



### Supporting fulfilling lifestyles and all generations (Infrastructure investment area)

【Related SDGs】



\* Examples of main outcomes highly consistent with our well-being contribution areas are disclosed.

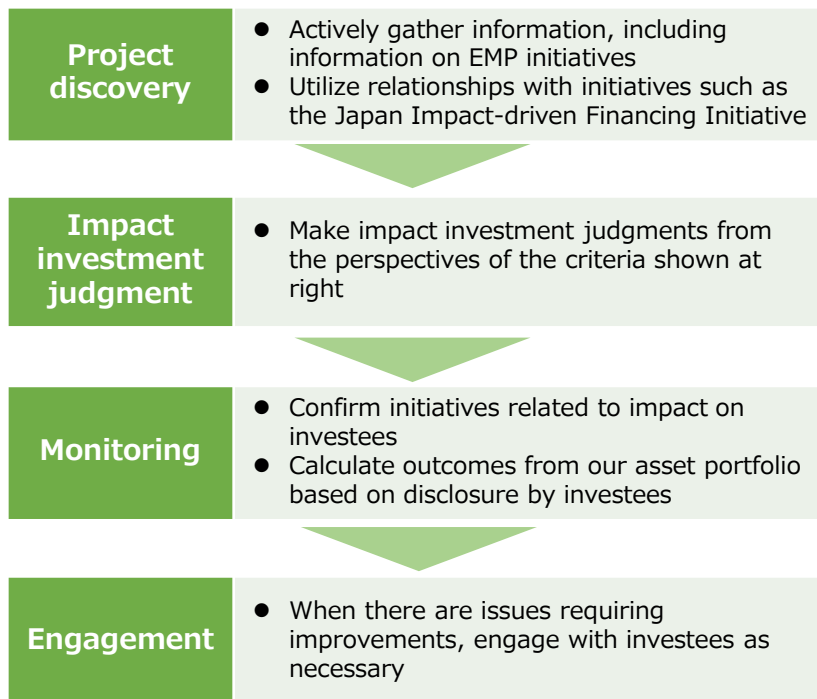
Measurements are calculated based on information provided by investee companies, taking into account our ownership interest. In addition, because the data is totaled by indicator, some data may overlap with multiple categories.

# Initiatives for Impact Investment

- Impact investment refers to investments made with the intention of creating social and environmental impacts in addition to financial returns. Sumitomo Life is actively working on impact investment as part of initiatives to create social and environmental impacts.
- To ensure the effectiveness of impact investment, we focus on implementing the PDCA cycle, and we strive to raise the level of our impact investment by leveraging initiatives such as the “Japan Impact-driven Financing Initiative.”
- In our discovery of new projects, we conduct the Emerging Managers Program (EMP)\* as part of our initiatives under the Policy Plan for Promoting Japan as a Leading Asset Management Center. The following page has a concrete example of one of these initiatives.

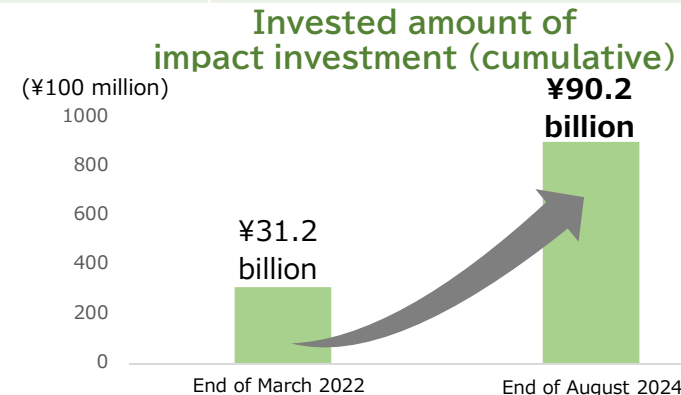
\* Please refer to [News Release on January 23, 2024](#) (in Japanese) for information regarding the Sumitomo Life Group's initiatives under the Policy Plan for Promoting Japan as a Leading Asset Management Center.

## Impact Investment Process



## Impact Investment Judgment Points

Item	Judgement points (examples)
(i) Investment strategy	<ul style="list-style-type: none"> <li>Sustainability orientation is reflected in investment strategies</li> </ul>
(ii) Structuring	<ul style="list-style-type: none"> <li>Metrics of impact are decided</li> </ul>
(iii) Monitoring/Engagement	<ul style="list-style-type: none"> <li>A system is in place to monitor progress of KPI</li> <li>A system is in place for the engagement</li> </ul>
(iv) Sale judgement	<ul style="list-style-type: none"> <li>Consideration is given to ongoing impact creation when making decisions regarding selling</li> </ul>
(v) Reporting	<ul style="list-style-type: none"> <li>Existence of impact-related disclosures</li> </ul>

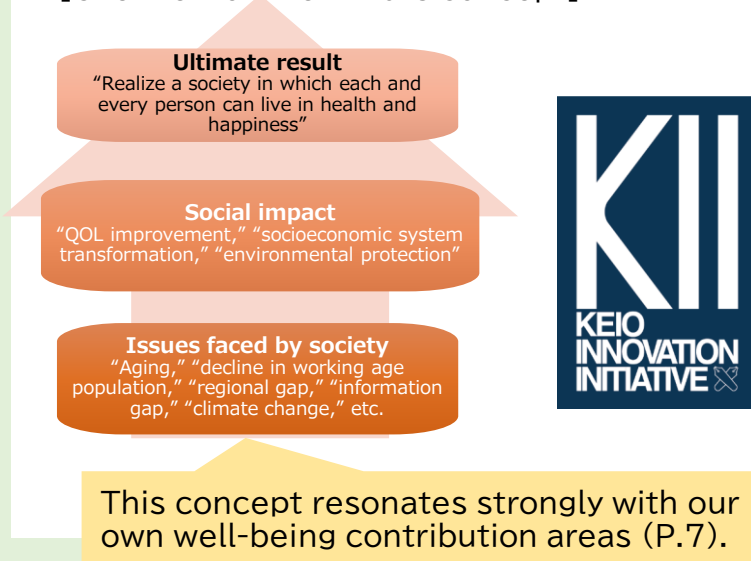


# Example of Impact Investment

## Investment in impact fund created by the Keio Innovation Initiative

- Name: KII3, LPS
- Investment amount: ¥1.0 billion
- Investment period: August 2024
- Management policy: The fund primarily invests in the medical/health and digital technology fields with the aims of creating social impact and generating operating returns.

[Overview of the fund's concept]



## Keio Innovation Initiative Discussion with Principal Yuriko Gibo

**KII began impact investment through its third fund. Could you tell us about what led to this decision to begin impact investment, and what makes it significant?**

When KII was established in 2015, its objective was to provide society with academic knowledge that would help it solve the issues it faced. So the spirit of impact investment has been with KII from the start.

As the concept of impact investment gained hold, we felt that this approach could showcase to stakeholders the contributions KII was making to the solving of social issues, so we made our third fund an impact investment fund.

**As a venture capital initiative launched from a university, what are KII's future objectives and vision with respect to solving social issues?**

We want to "realize a society in which each and every person can live in health and happiness" by increasing investee value, thereby incorporating academic research and inventions into society.

To do so requires perspectives and systems that go beyond existing frameworks. We want to shape the future together with Sumitomo Life and all of our stakeholders.



Keio Innovation Initiative  
Principal  
Yuriko Gibo

\* Please refer to [News Release on August 13, 2024](#) (in Japanese) for details.



# ESG Initiatives in Real Estate Investment

- Sumitomo Life is actively investing in real estate property, securitized products, and other investments that contribute to the solving of social issues such as environmental issues. We are reducing energy consumption, such as through the use of LEDs, to cut GHG emissions from the real estate we own while introducing electrical power generated from renewable energy sources.
- Furthermore, to foster greater engagement with tenants of the real estate we own, we conduct periodic satisfaction surveys. The most recent survey found that overall satisfaction with their buildings and their interest in our environmental response have risen in comparison to the previous survey. We use feedback from tenants to raise the level of our real estate investments.

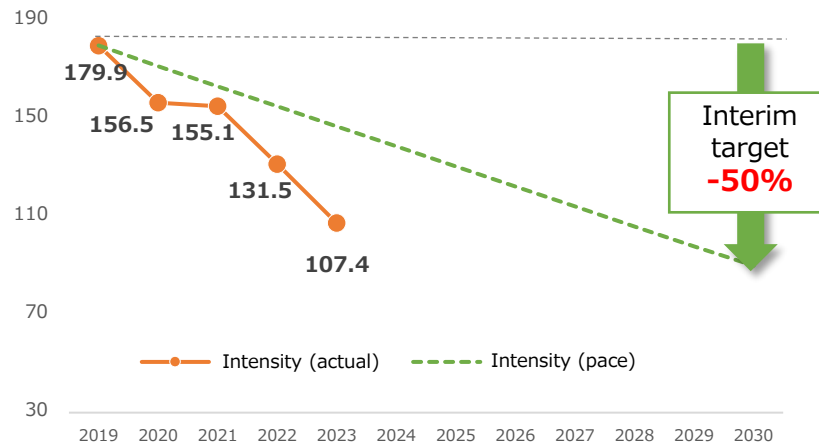
## GHG Emissions Reductions

- We are working on energy conservation such as LED use in our properties, and actively introducing electricity from renewable energy sources (RES).
- We are using diverse methods to reduce our GHG emissions. For example, we are using off-site corporate PPAs\*<sup>1</sup> to introduce RES with a high level of additionality in our investment buildings, thereby enabling us to procure stable RES power over the long term.

\*1 PPAs are contracts through which RES power generated in renewable energy power facilities in off-site areas other than the area where the power is demanded is to be supplied to power purchasers through the general electrical grid.

## Actual Volume of GHG emissions from Real Estate

Unit: t-CO<sub>2</sub>



## Environmentally and Socially Friendly Initiatives

- In January 2023, our Shinagawa Intercity Office won the Grand Prize in the Urban Space category of the 3rd Green Infrastructure Awards\*<sup>2</sup>.
- In 2024, we announced our support for the Fry to Fly Project\*<sup>3</sup>, whose objectives are the promotion of resource circulation within Japan and the realization of a decarbonized society.



Shinagawa Central Garden

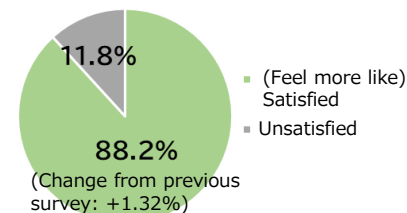
\*2 The Green Infrastructure Awards were established by the Ministry of Land, Infrastructure, Transport and Tourism to promote a society of harmonious coexistence with nature and to recognize exceptional initiatives that contribute to this goal.

\*3 This project is working to create a world in which airplanes are powered by sustainable aviation fuel (SAF), which is made from waste cooking oil from restaurants and other entities in Japan.

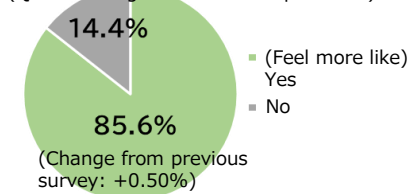
## Engagement Activities

- As an effort to increase engagement with tenants, we administer satisfaction surveys regularly on management, services, safety, comfortability, and initiatives for environment in buildings.

Q. Overall satisfaction



Q. Do you take environmental response into consideration with regard to building tenancy? (Question to general affairs department)



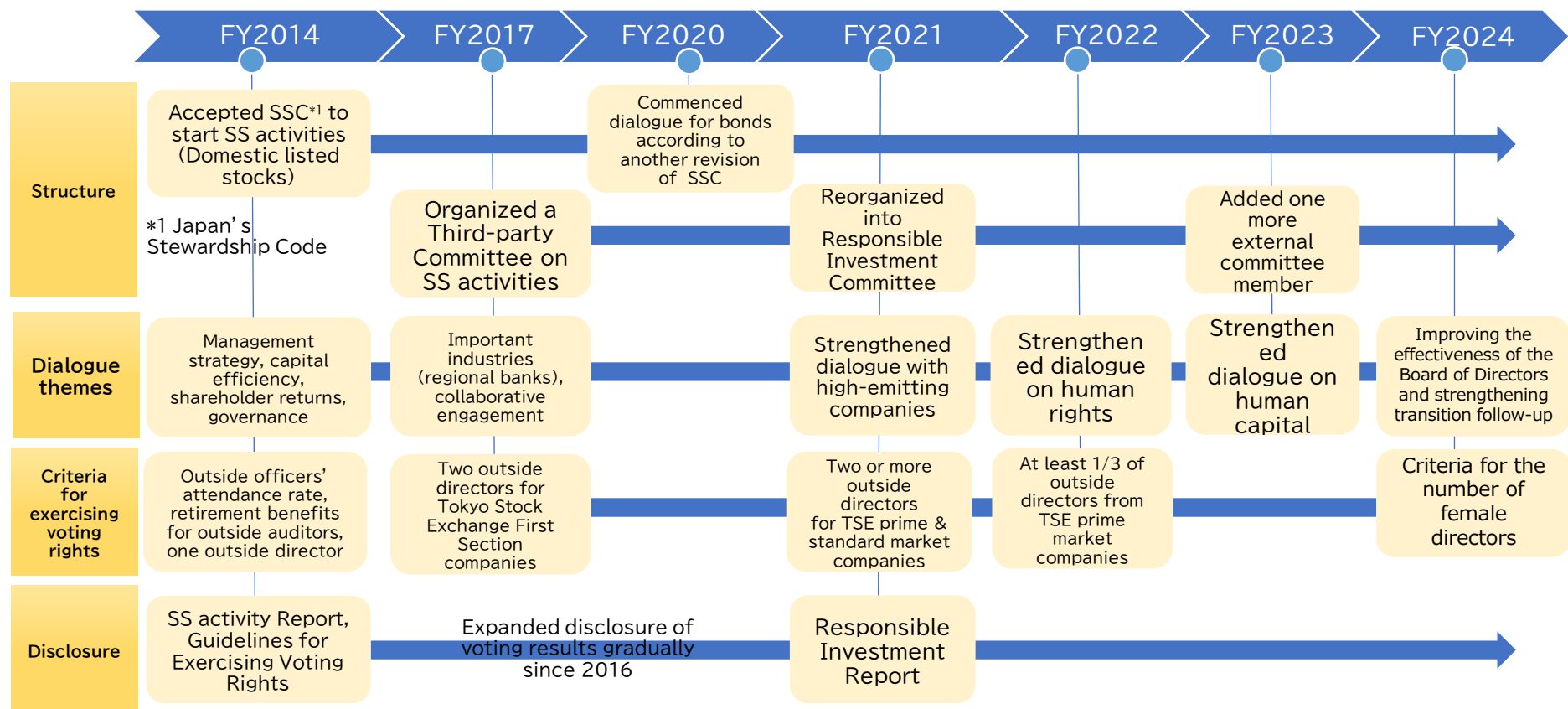
# 04

## Stewardship Activities

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# Stewardship Activity Transition



## Number of dialogues\*2

Fiscal year (From July to June in the following year)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Corporate value</b>	218	125	124	151	142	94	105	119	143	119
<b>Voting rights</b>	347	313	254	258	227	186	170	175	139	136

\*2 Coverage is domestic listed stocks. Besides, for domestic bonds, dialogue with about 10 companies has been conducted every year from fiscal 2020.

## Looking Back on Ten Years of Stewardship Activities and Future Prospects

- Since adopting Japan's Stewardship Code, formulated in 2014, Sumitomo Life has been engaged in stewardship activities (SS activities) to promote the improvement of corporate value over the medium to long term. We asked the employees who have been involved in these activities to look back on the past ten years and talk about future prospects.

Looking Back on Ten Years of Stewardship Activities and Future Prospects  
Roundtable Discussion Participants



(From left: Hata and Hirohashi, Balanced Portfolio Investment Dept.; Kanakuri, ALM Securities Investment Dept.; Tanaka, Investment Planning Dept.)

### Tanaka, Investment Planning Dept.

#### SS activities are entering a stage of fundamental change

I was involved in SS activities at the former Equity Investment Department\* for five years from 2016, and after transferring to the Investment Planning Department, I have seen the changes of SS activities as the General Manager in Charge of Responsible Investment. In short, with many companies undergoing major changes for the better over the past ten years, fundamental change is just beginning.

In the early days of SS activities, many investee companies actually felt that "investors are asking for a formal framework without fully understanding our company."

Due to this, we would often give detailed explanations of the Company's criteria for exercising voting rights to investee companies and hold discussions, while organizing medium- to long-term issues in advance. While corporate governance reform had been progressing well on the whole, I felt disparities in the level of enthusiasm between individual companies.

\* In the October 2016 organizational restructuring, Equity Investment Dept. was abolished and Balanced Portfolio Investment Dept. was established.

One example that comes to mind where dialogue led to corporate reform is that for a parts manufacturer. The company was paying its top management high salaries that were not commensurate with business performance. As a result of dialogue aimed at strengthening governance, the Board of Directors acted with "shareholders' voices" in mind, which led to a change of president. This was the time when dialogue with shareholders began to function effectively as external pressure to address issues that were difficult to improve within the company alone.

From 2017, we have also focused on dialogue with regional financial institutions. We have held in-depth dialogue on specific ways to improve corporate value, such as bolstering non-interest income. Coupled with the government's moves to strengthen regional financial policies, I feel that reforms are generally progressing in the direction that we have discussed, although we are still only halfway there.

### Hirohashi, Balanced Portfolio Investment Dept.

#### Expansion of dialogue topics and responsibilities of long-term investors

I have been involved in SS activities since 2017. During this time, I feel that the issues companies face and dialogue themes have gradually changed. One catalyst for this is the expansion of ESG investment by institutional investors. Risks surrounding companies, such as climate change and human rights, are growing day by day. To achieve sustainable growth, companies must coexist with, respond to, and contribute to resolving environmental and social risks through their business, rather than simply pursuing business performance.

While the concept of contributing to society has been around for a long time, it was mainly undertaken by companies as part of their CSR activities, and not at the level of aiming to address issues or contribute to society through business operations. I feel that the TCFD recommendations and PRI (Principles for Responsible Investment) have played a significant role in instilling the idea in companies that addressing environmental and social issues can lead to sustainable growth.

(Continued on next page)

## Looking Back on Ten Years of Stewardship Activities and Future Prospects

As the ESG investment market expands, companies are required to disclose information on climate change risks and take countermeasures based on TCFD recommendations. Also, with the number of PRI signatories sharply increasing from around 2019, ESG factors have become an important factor in determining corporate value alongside financial information such as business performance.

Our stewardship activities started with governance and management strategy, etc. as key dialogue themes. Over time, we gradually expanded these themes, focusing on the need to balance the creation of social value and economic value for sustainable corporate growth.

As changes in the operating environment surrounding companies become clearer, such as responses to sustainability issues such as climate change, human rights, and maintaining natural capital, as well as changes in values and lifestyles after the COVID-19 pandemic, companies have started taking various measures to achieve sustainable growth, such as restructuring business portfolios and changing strategies. In particular, climate change issues require major innovations that go beyond existing technologies for GHG high-emitting companies, and cannot easily be solved in the short term. I believe that it is the role and responsibility of long-term investors to support the efforts of companies to resolve such long-term issues while confirming the effectiveness of their long-term management strategies and other efforts through dialogue.

### Kanakuri, ALM Securities Investment Dept.

#### Enhancing dialogue that integrates stocks and bonds

The smooth transition to a decarbonized society is expected to require a large amount of capital. The Japanese government has been working to create an environment for transition finance, and is taking measures to transform Japan's industrial and social structure by implementing public-private decarbonization investments of over 150 trillion yen over the next ten years, with the aim of enhancing corporate competitiveness and achieving economic growth. Responding to such financing is an important initiative for sectors that have difficulty in reducing GHG emissions to decarbonize in line with long-term transition strategies. I feel that this will also help promote innovation.

As the person in charge of credit investment, I actively invest in transition bonds. However, it is not enough to just make the investment—it is also vital to follow up on the progress of corporate bond issuers to see whether they are taking steps in line with their transition strategies. I feel that this is the role expected of me as an investor. In terms of ESG factors, bonds face the same issues as stocks. As such, I plan to enhance dialogue that more closely integrates these two asset classes.

### Hata, Balanced Portfolio Investment Dept.

#### Aiming to grow together with investee companies

Over the past ten years, I feel that both companies and institutional investors have kept pace through repeated dialogue, albeit through trial and error, toward the common goal of improving corporate value, achieving sustainable growth, and contributing to the development of the economy as a whole, and have deepened their response in line with the purpose of corporate governance reform. Governance issues have been addressed to a certain extent as shown the increasing number of outside directors, and profitability, capital efficiency, and shareholder returns have also improved. Since performance indicators fluctuate depending on various factors, it is difficult to quantitatively evaluate the effects of dialogue, but, in the case of companies that have failed to improve their business portfolios and continue to operate a low-margin business, for example, multiple investors may call for improvement through dialogue, which can prompt the company to take action, and ultimately lead to improvement.

However, these improvements are still not enough. It has been pointed out that only a few companies have improved their corporate value over the past ten years, and that PBR (price book-value ratio) have barely increased at all. I believe we must further deepen our SS activities and make them more effective. As factors that determine corporate value expand, such as sustainability, I believe that it will become more important to gain a deeper understanding of investee companies, share our awareness of their issues, and provide support to improve corporate value. We will strive to build relationships of trust with companies and grow together, leveraging the advantages of our unique position as a life insurance company and a long-term institutional investor.

## Review on Fiscal 2023 Dialogue -Key items- (July 2023 to June 2024)

- ❑ We conducted 119 dialogues in fiscal 2023 (cumulative total of 398 since 2016, accounting for 37% of the issuers of our portfolio, and 82% of the market value we hold).
- ❑ We have engaged in dialogues with GHG high-emitting companies to encourage them to balance environmental responsiveness and corporate value improvement, as well as dialogues promoting diversity in the Board of Directors and DE&I.

Theme content		Main requests		
Sustainable growth	Companies with issues on capital profitability and growth potential	● Management that is conscious of stock price and cost of capital	Corporate value is expected to improve	
		● Improve and enhance governance	Guidelines for Exercising Voting Rights may be violated	
		● Human capital management		
Key themes (ESG)	Dialogue on carbon neutrality	● Monitor progress of addressing climate change issues, and promote response to the issues	Improve GHG emission reduction targets and accuracy of effectiveness	
	Dialogue from other environmental and social perspectives	● Increase efforts to address human rights and labor environment issues in the supply chain	Identify issues related to human rights, and conduct surveys and disclose information on business places and regions where issues are inherent	
Key industries	Dialogue with regional banks that serve as pillars in revitalizing local communities	● Improve capital efficiency and formulate cash flow plans	Improve RORA* to enhance ROE and appropriate capital management	
		● Expand non-interest business and further improve efficiency	Monetize consulting business, recruit and train specialists, etc.	
Collaboration	Collaborative engagement with the Life Insurance Association of Japan	● 11 life insurance companies participating in the Stewardship Activities Working Group of the Life Insurance Association of Japan jointly sent letters requesting the following.		
		Enhance shareholder returns	Comprehensive disclosure including enhanced disclosure of ESG information	Endorsement of TCFD recommendations and enhanced climate change disclosure

\* RORA (return on risk-weighted assets) is an indicator of the rate of return on risk assets, which indicates the amount of profit generated relative to risk.



## Review on Fiscal 2023 Dialogue -Improvement- (July 2023 to June 2024)

- We focus on dialogue on management strategies that lead to an improvement in corporate value over the medium to long term. In fiscal 2022 (July 2022 to June 2023), we requested 441 items, and confirmed improvements in 162 of them (improvement rate of 36.7%).
- We will implement highly effective engagement through the PDCA cycle to continuously improve their corporate value, through monitoring the progress of improvements in corporate issues and holding dialogues again as necessary.

### Results of improvement upon our requests

#### Fiscal 2022

Request (case)
441

#### Fiscal 2023

Improvement	Partial improvement	Not yet improved	Rate of improvement
162	164	115	36.7%

- Improvement: Achieved traced items or showed signs of progress/improvement in line with the request
- Partial improvement: Improvement has been made, but not to the level required
- Not yet improved: Not achieved, or no signs of progress/improvement in line with the request

### <Breakdown>

#### Fiscal 2022 requests

Item	Request
ESG	157
Environment/Social	129
Governance (management)	28
Business strategy (growth scenario, etc.)	174
Revision of business portfolio	44
Revenue (Improvement of capital efficiency and profitability)	87
Shareholder returns	9
Disclosure	10
Others	4

#### Fiscal 2023 confirmation

Improvement	Partial improvement	Not yet improved	Rate of improvement
68	55	34	43.3%
56	48	25	43.4%
12	7	9	42.9%
45	77	52	25.9%
11	24	9	25.0%
38	27	22	43.7%
5	1	3	55.6%
5	2	3	50.0%
1	2	1	25.0%

In fiscal 2024, we continue to engage in dialogue with investee companies whose improvements are insufficient or who face new issues, as a “continuous tracing companies”



## Review on Fiscal 2023 Dialogue -Case Study①- (July 2023 to June 2024)

- ❑ The following are examples of dialogues on management that is conscious of cost of capital and share price.

### Actions to implement management that is conscious of cost of capital and share price

#### Awareness of issues

- More than half of listed companies have ROE of less than 8% and PBR below 1x, which present challenges in terms of capital profitability and growth potential. In order to improve corporate value, it is necessary for management to change their awareness of cost of capital and share price.

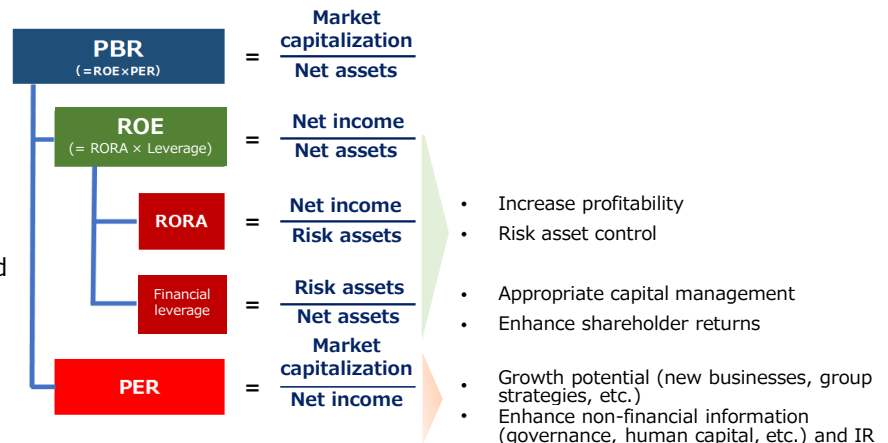
#### Requests to companies

- It is necessary to accurately grasp the company's cost of capital and capital profitability, analyze and assess the current situation, formulate and disclose plans for improvement, analyze progress toward plans, and update disclosure. It is important not only to disclose information externally, but also to disseminate plans internally.

#### Response from companies

##### Bank Group A

- Under the belief that efforts to improve corporate value should not be limited to the management team and head office, we held a briefing session for employees for the first time. We started by explaining what corporate value and PBR are. About 6,000 people watched the live-streaming, and while loan sales staff were able to understand it right away, it was difficult for back-office employees to understand how their day-to-day activities are connected to corporate value. It is therefore necessary to continue these efforts and raise the awareness of individual employees.



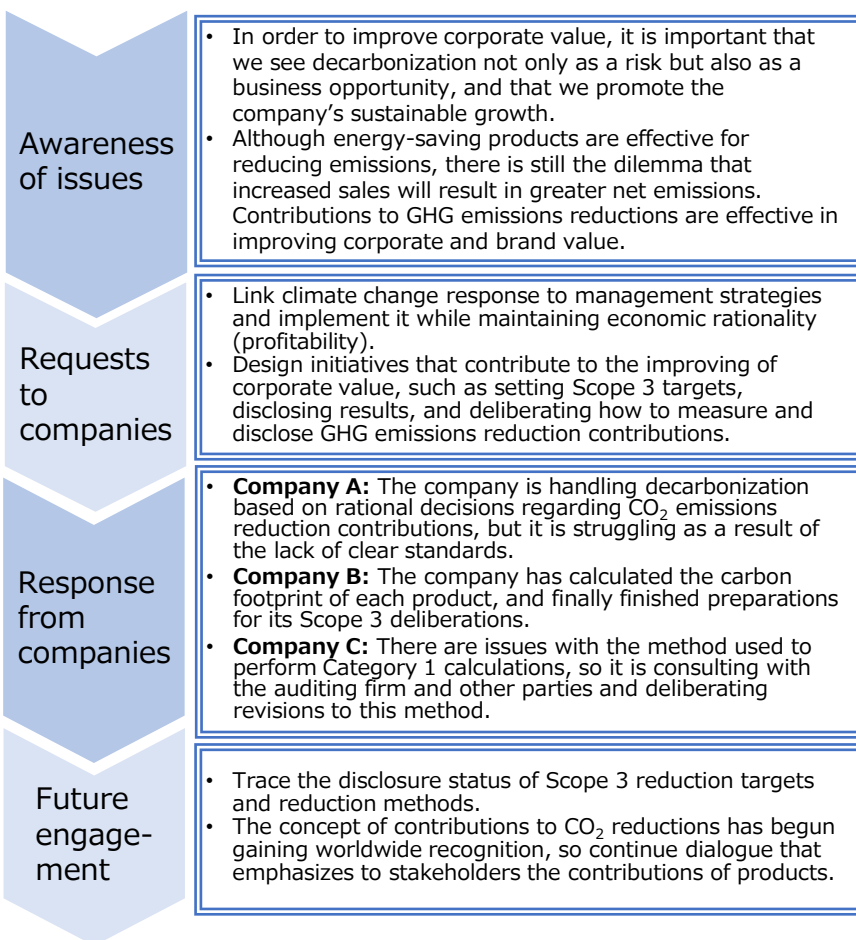
#### Future engagement

- Track the implementation status of specific initiatives and progress toward achieving targets.

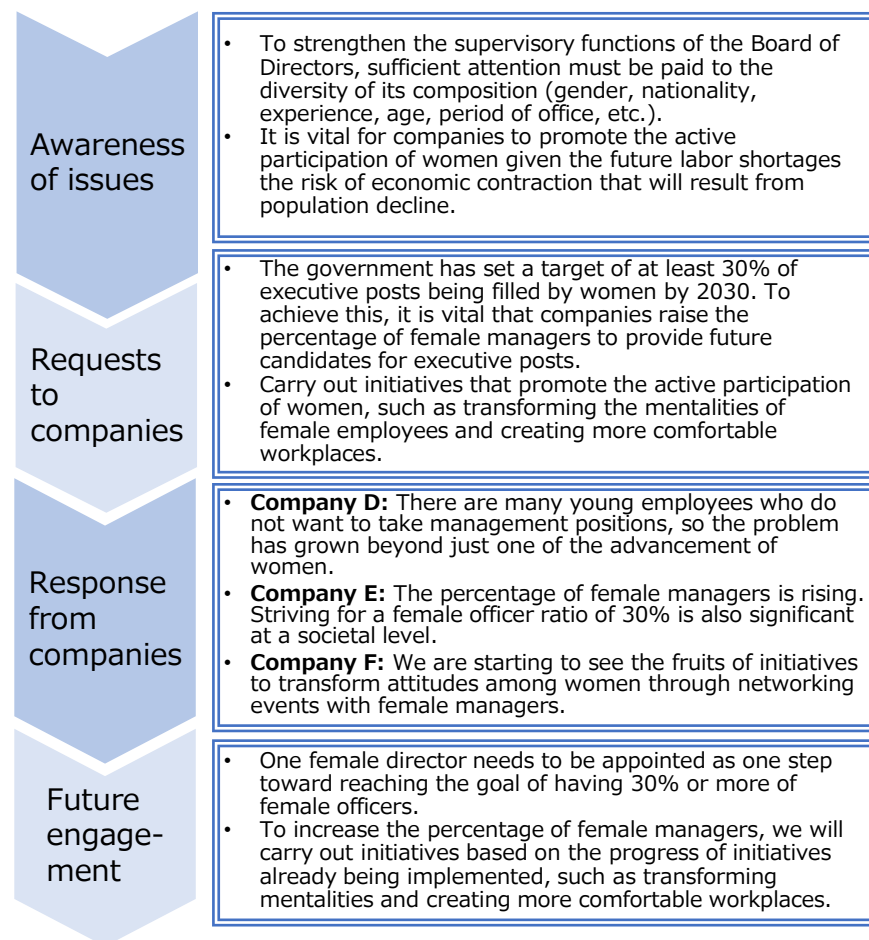
## Review on Fiscal 2023 Dialogue -Case Study②- (July 2023 to June 2024)

- The following are examples of dialogues on decarbonization, the diversity of the Board of Directors, and the promotion of women's active participation.

### Efforts toward decarbonization (Scope 3)



### Diversity of the Board of Directors and promotion of women's active participation (DE&I)



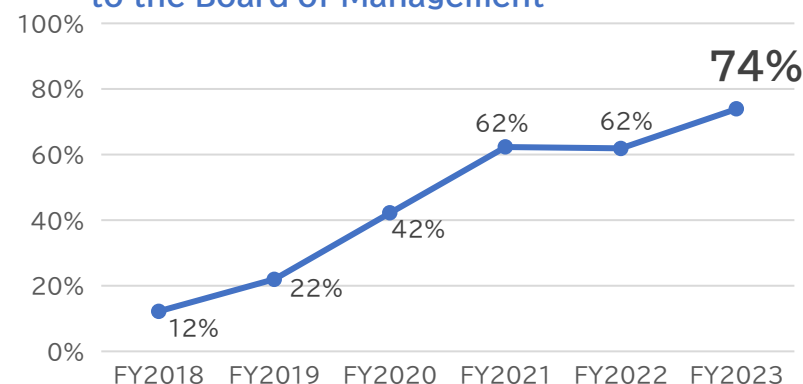
## Review on Fiscal 2023 Dialogue -Survey results- (July 2023 to June 2024)

- We requested and received the cooperation of many companies with which we engaged from the perspective of improving dialogue aimed at increasing corporate value.
- Against the backdrop of factors including the revision of the Corporate Governance Code in June 2021, coordination with the Board of Directors on the content of dialogues has been increasing year by year, with a high proportion coordinating dialogue with management. We will strive to improve the quality of dialogue and work to enhance our proposal capabilities based on the opinions expressed.

### Survey results : response rate:71.9%

Items (5-ranking of evaluation)	Fiscal 2022	Fiscal 2023
Overall evaluation	4.9	4.9
Was there adequate understanding, as well as research and analysis?	4.9	4.9
Did dialogue lead to the promotion of mutual understanding?	4.9	4.9
Were the opinions beneficial?	4.9	4.9

### ● Trends in Percentage of Reporting to the Board of Management



### Extract from Survey Results\*

Highly-evaluated opinions	<ul style="list-style-type: none"> <li>● After your participants gained a thorough understanding of our business domains and key issues were organized, such as recent M&amp;As and social issues that have a significant impact on performance, the meeting led to an in-depth dialogue that not only enhanced governance but also aimed at improving corporate value.</li> <li>● The dialogue made it possible for various opinions to be exchanged on global trends toward carbon neutrality and our specific awareness and initiatives, which deepened a mutual understanding.</li> </ul>
Other opinions and requests	<ul style="list-style-type: none"> <li>● Because we could not sufficiently exchange opinions on financial strategy and PBR issues due to time constraints in today's dialogue, an opportunity for an additional dialogue would be appreciated.</li> </ul>

\* Extracts from some of the opinions and requests that we received

# Fiscal 2024 Dialogue -Stocks-

- We continue to set sustainable growth, ESG, and collaborative engagement as our main themes for dialogue in fiscal 2024.
- Based on the following themes, we will select the companies with which we have dialogue from the perspective of improving corporate value of investees and the value of the entire portfolio.

## Sustainable growth

Capital profitability, growth potential, information disclosure, etc.		<ul style="list-style-type: none"> <li>● Strengthen dialogue for sustainable growth (screening and selecting companies based on PBR, ROE, etc.) Discuss matters such as capital strategy, business portfolio strategy, and information disclosure.</li> </ul>
		<div>Stocks with low ROE/PBR</div> <div>Insufficient improvement in past requests</div>
Key themes (ESG)	Reduction of GHG (Scope 1+2) emissions	<ul style="list-style-type: none"> <li>● Dialogue with the top 30 GHG (Scope 1+2) emission companies in our stock portfolio. Discuss target setting and initiatives for reduction.</li> </ul>
	Other ESG issues	<ul style="list-style-type: none"> <li>● Discuss improvement and response measures for environmental and social ESG issues such as GHG Scope 3, natural capital, and biodiversity after confirming awareness of these issues (human rights issues, human capital management, and governance (effectiveness of the Board of Directors, etc.) are common themes).</li> </ul>
Others		<ul style="list-style-type: none"> <li>● Additional dialogues aimed at improving corporate value and dialogues concerning the exercise of voting rights, etc.</li> </ul>
Collaborative engagement		Other than collaborative engagement with the Life Insurance Association of Japan, utilize initiatives such as CA100+*1, Advance*2, and CDP, etc.

\*1: Abbreviation for Climate Action 100+. An international initiative to encourage reduction efforts of GHG high-emitting companies through collaborative engagement on climate change.

\*2: An international initiative for human rights that aims at encouraging companies with relatively high risks of human rights to address issues, through collaborative engagement.

(For main initiatives Sumitomo Life has joined, please refer to P.47)

# Fiscal 2024 Dialogue -Stocks-

- While considering the following matters as key factors for improvement in corporate value, we will conduct dialogue activities.

## Management and capital strategy

- Business philosophies and purposes established and instilled internally
- Selection of materiality and business strategies based on anticipation of industry trends
  - Appropriate grasp and analysis of risks and opportunities
  - Efficient management in balance sheet to realize management strategies
  - Securing equity spread and ROIC/WACC
- Dealing with requests from TSE

## Governance: Improving effectiveness of the board of directors

- Define functions of the board of directors (balance in supervision and execution)
- Structures of supervision and advice for executing medium- and long-term business strategies
- Consistency between management strategies/issues and skill matrices of directors
- Diversity (gender/nationality/experience/period of office)

## Measures for human rights (including supply chain)

- Establish human rights policies (internal and external commitment, internal instillation)
- Implement due diligence for human rights
- Develop relief measures
- Correct overwork issues

## Promotion of human capital management

- Linkages between management and human capital strategies (grasp of gaps in As is-To be, human capital development and other strategies)
- Diversity, Equity & Inclusion such as promoting women's active participation, and policies of management and human resources on flexible work style of employees
- Increases in employees' engagement

## Reconciliation of climate change risks and business opportunities

- Ties between measures on climate change risks and management strategies
- Feasibility of interim targets for GHG emission reduction
- Confirm roadmaps toward carbon neutrality in 2050
- Set Scope 3 GHG emission reduction targets, disclose results, and consider measuring and disclosing the volume that contributes to reduction
- Utilize GX investments by the government and private sectors, and reconcile them with economic rationality (profitability)
- Improve disclosure based on TCFD recommendations

## Conservation of nature and biodiversity

- Identify biodiversity risks from business activities in the supply chain
- Identify business risks from biodiversity loss
- Implementation status based on TNFD recommendations

# Dialogue in Bond Investment

- ❑ We take a long-term perspective in our discussions with companies and encourage them to take the appropriate response to risk to increase the possibility of redemption of bonds Sumitomo Life holds. In addition, we also conduct dialogue for reducing GHG in our asset portfolio. We are mutually sharing the content of such dialogue with stock investment departments to work together.
- ❑ In fiscal 2023, while engaging in follow-up dialogue with transition bonds issuers, we worked to increase the possibility of redemption of bonds and engaged with 10 companies from the perspectives such as GHG emissions reductions. Furthermore, we participated in collaborative engagement through an international initiative (CDP).
- ❑ In fiscal 2024, we will continue to actively work on transition finance follow-up dialogue, supporting appropriate funding for decarbonization.

## Fiscal 2023 Dialogue Case Study

### Transition progress at a power company

Awareness  
of issues

- There is a need for transition within the business structure, which is centered on thermal power generation, and to reduce GHG emissions.

Requests  
to  
companies

- Taking into consideration the thermal power generation-focused nature of the business, enhance explanations of the current state and future outlook of GHG emissions reductions and the challenges involved.
- Regularly disclose and provide updates on transition strategies, the state of transition technology R&D, and the like.
- Implement decarbonization initiatives while also maintaining profitability.

Results of  
dialogue

- Initiatives for reducing carbon emissions from thermal power generation are being actively implemented. Transition technology verification testing has been confirmed to be progressing steadily. This verification testing has drawn a great deal of attention, so the active disclosure of information has been requested.
- Overseas renewable energy projects also serve as strategic first moves for the future (green hydrogen and ammonia production), and the company wishes to secure revenue over the long term, including the creation of its supply chain.
- It is important to foster a greater understanding among investors of the company's transition strategy by issuing transition bonds. We confirmed that the company was heavily focused on communication with investors.

## Fiscal 2023 Dialogue Themes

### Main themes of dialogue with 10 companies

- GHG emissions reduction plans
- Disclosure of Scope 3 GHG emissions reductions
- Transition strategies and progress
- Future composition of power sources
- Business opportunities and business portfolio outlook
- Investment risk management, investment and financial policies
- Governance (effectiveness of the Board of Directors, etc.)
- Human capital (percentage of female managers, etc.)



# Stance on Exercising Voting Rights

- Our company has established “Guidelines for Exercising Voting Rights” and determines whether to vote for or against a proposal when exercising our voting rights, in light of dialogue with investee companies and the state of their initiatives on issues, etc.
- Specifically, we select agenda items that require additional consideration according to our Guidelines from perspectives such as the investee company’s financial performance/conditions, capital policy, legal compliance structure, stance on distribution of returns and sustainability initiatives, and make careful decisions.
- We recognize that exercising voting rights is also an important method for encouraging the sustainable growth of investee companies. When considering whether to approve or oppose an individual agenda item, our decisions are not a mere formality. We listen to investee companies about their response to issues and conduct dialogue through which we explain our opinions and concerns to encourage their sustainable growth.

## Select agenda items

We take all agenda items to select those that require additional consideration in accordance with our Guidelines for Exercising Voting Rights. However, if a response that differs from our Guidelines for Exercising Voting Rights is considered reasonable as a consequence of our confirmation of individual circumstances through dialogue or other means, we vote accordingly.

## Consideration not required

In principle, we approve agenda items consistent with the requirement that no separate consideration is necessary.

## Additional consideration

For agenda items that require additional consideration, we contact the company, as necessary, and conduct dialogue for the purpose of exercising voting rights. The individual judgement on the vote is made in light of the details of such dialogue, etc.

Exercising Voting Rights: Approve

Exercising Voting Rights: Oppose  
(Explain the reasons to the company and request improvements)

Individual disclosure of voting results

# Fiscal 2023 Voting Results (July 2023 to June 2024)

- ❑ In exercising our voting rights, we opposed 135 agenda items (2.1% of a total of 6,576 agenda items) and opposed 110 companies (5.6% of a total of 1,959 companies).
- ❑ Of the 132 agenda items we opposed in fiscal 2022, 78 same agenda items were proposed in fiscal 2023, of which 30 were improved items. This was mainly due to improvements in the criteria relating to the number of independent outside directors and dividends.

## Voting results by category of agenda items

Category of agenda	Total agenda	Opposed items	Opposed ratio	Opposed ratio in previous fiscal year
Appropriation of retained earnings	1,276	14	1.1%	1.5%
Appointment/dismissal of directors	2,673	62	2.3%	2.8%
Appointment/dismissal of auditors	1,003	4	0.4%	0.0%
Payment of retirement benefits	77	24	31.2%	27.5%
Executive compensation	707	25	3.5%	3.2%
Takeover defense measures	40	4	10.0%	2.6%
Shareholder proposals	346	0	0.0%	0.3%
Other	454	2	0.4%	0.0%
<b>Total</b>	<b>6,576</b>	<b>135</b>	<b>2.1%</b>	<b>2.0%</b>

### By number of proposals

Opposed ratio 2.1%  
(+0.1pt YoY)



### By number of companies

Opposed ratio 5.6%  
(+0.2pt YoY)



## Status of improvement in FY2023 for the companies that we voted against in FY2022

Fiscal 2022 Opposed items	Items of which the same agenda is proposed in fiscal 2023	Fiscal 2023 Approved items	Ratio of improvement	Category of agenda	Fiscal 2022 Opposed items	Fiscal 2023 Improvement	Ratio of improvement
132 (107 companies)	78 (73 companies)	30 (30 companies)	38.5% (41.1%)	Appointment/dismissal of directors	49	22	45%
				Appropriation of retained earnings	11	5	45%
				Executive compensation	6	1	17%
				Payment of retirement benefits	12	2	17%

# Revisions to the Guidelines for Exercising Voting Rights

- ❑ Dialogue and the exercise of voting rights are some of our most important initiatives in fulfilling our stewardship responsibilities.
- ❑ We have amended the philosophy in our Guidelines for Exercising Voting Rights, so that our philosophy is better understood. Please refer to the [Guidelines for Exercising Voting Rights](#) for details.

## Introduction of Criteria Concerning the Number of Female Directors

- We will introduce criteria for TSE Prime listed companies that we oppose, in principle, the appointment of top management to the position of directors when there are no female directors on the board. However, given the time required to appoint director candidates, we will apply the criteria from general meetings to be held in and after April 2026.

## Raise the Ratio of Independent Outside Directors Required at Companies with Takeover Response Policies/Defense Measures

- The “criteria concerning the number/ratio of independent outside directors who fulfill the Company’s independence criteria for the exercise of voting rights” required of companies with takeover response policies/defense measures will be raised from the current “at least 1/3” to “at least 1/2.” However, given the time required to appoint independent outside director candidates, we will apply the criteria from general meetings to be held in and after April 2026.

### Criteria concerning the number/ratio of independent outside directors who fulfill the Company’s independence criteria for the exercise of voting rights

Item	Market Category	Until March 2026	From April 2026
A company other than those described below	TSE Prime	At least 1/3	At least 1/3
	TSE Standard	At least 2	At least 2
	Other	At least 1	At least 1
A company with a parent company	TSE Prime	At least 1/2	At least 1/2
	Other	At least 1/3	At least 1/3
A company with takeover response policies/defense measures		At least 1/3	At least 1/2

# Self-evaluation of Stewardship Activity

Principle	Japan's Stewardship Code	Self-evaluation and future initiatives (✓ : Compliant)	
Principle 1	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	○	➤ We have formulated and published the "Basic Principles on Responsible Investment."
Principle 2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	○	➤ We have formulated and published the "Policy on Management of Conflicts of Interest." ➤ This was deliberated three times at the Responsible Investment Committee when exercising voting rights in fiscal 2023 and we disclosed the results.
Principle 3	Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	○	➤ We collect financial information and non-financial information including ESG and conduct both quantitative and qualitative corporate analysis (ESG integration). We also strive to accurately understand the status of investee companies.
Principle 4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	○	➤ In fiscal 2023, in addition to environmental issues such as decarbonization, important ESG issues such as human rights and human capital were added as themes to strengthen our dialogue. ➤ We continue to share our recognition of issues with investee companies and strive for improvement through adequately prepared dialogue.
Principle 5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	○	➤ We judge in accordance with the guidelines after grasping the company's situation. We disclose our voting results in accordance with the policy. ➤ We will continue to work on substantive judgments by presenting our thinking in various publications so that they do not become a mere formality.
Principle 6	Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	○	➤ We have published "Responsible Investment Report" that discloses all of our entire responsible investment activities, including stewardship. We will continue to improve our disclosure.
Principle 7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	○	➤ We have established the structure for stewardship activities and are promoting human resource development, including the enhancement of corporate analytical capabilities. ➤ We will continue to expand our decarbonization initiatives across assets, strengthen our collaboration with external organizations, and work to further improve the effectiveness of our stewardship activities.

05

## Collaboration and Human Capital Development

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## Participation in Initiatives

- Sumitomo life actively participates in domestic and international initiatives from the perspective of an institutional investor, for achieving a sustainable society. We will continue to collaborate with domestic and international institutional investors to address social issues, while increasing the level of our responsible investment through exposing ourselves to best practices in each area.
- We are actively engaged in global-based initiatives aimed at decarbonization, including participating in a core working group of the GFANZ Japan Chapter as a member.

Signatory of:



- Investment principles launched by the United Nations in 2006 that call for institutional investors to incorporate ESG perspectives into their investment decision-making processes.
- Sumitomo Life signed the PRI in April 2019.



- A coalition of willing financial institutions that aims at carbon neutrality in 2050, launched in April 2021. Sumitomo Life joined it through Net-Zero Asset Owner Alliance under control of GFANZ.

### Net-Zero Asset Owner Alliance

- An initiative that aims to achieve the Paris Agreement's goal of limiting temperature rise to 1.5°C through the cooperation of asset owners. Under the leadership of the UNEP FI and PRI, the AOA has been active since 2019.
- Sumitomo Life joined AOA in October 2021.



- An initiative to seek the reduction of GHG emissions through engagement with companies.
- Sumitomo Life signed the initiative in December 2020.



- A global partnership of financial institutions launched in 2019, working to develop and implement a standardized approach to assess and disclose the GHG emissions from the asset portfolio.
- Sumitomo Life joined PCAF as the first Japanese life insurer in September 2021.

### Japan Impact-driven Financing Initiative

- A Japanese initiative launched in November 2021 to aim for the practice and promotion of impact investment by financial institutions that seek to resolve environmental and social issues through investment activities.
- Sumitomo Life joined it in April 2022.

### [Other initiatives]





## External Activity and Human Capital Development Initiatives

- ❑ Besides domestic and international initiative activities, we actively work on awareness raising activities for sustainable financing.
- ❑ With regard to human capital development, we believe that the important foundation is for the employees who will play a role in promoting responsible investment to sympathize with the philosophy of responsible investment and acquire the latest relevant knowledge, and we work to hold learning sessions and encourage them to acquire certification of qualifying examinations.
- ❑ In fiscal 2023, we offered an e-learning program to all employees of the asset management department to give them the opportunity to learn about the latest trends in responsible investment and our initiatives. In July 2024, domestic venture capital firms in our portfolio and the startup companies in which they invest visited our office for a discussion session on the theme of “achieving both investment returns and creating social impact.”

### Taking the Rostrum in Events

Tanaka, the general manager in charge of Responsible Investment, spoke at the following events.

- October 27, 2023  
ICMA & JSDA Sustainable Bond Conference  
“Transition Finance Opportunities and Challenges”
- January 26, 2024  
MUMSS Engagement Seminar  
“Panel Discussion: Expectations and Challenges for Transition Bonds”



Junichi Tanaka, General Manager  
In Charge of Responsible Investment,  
Investment Planning Department

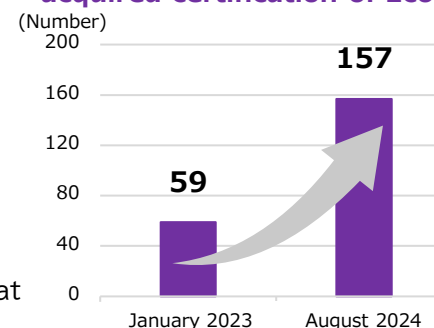
### Lectures at Universities (Graduate Schools)

Lectures were delivered at universities (graduate schools) by the Responsible Investment Team of the Investment Planning Dept.

- June 2024  
Delivered a lecture, “Financial markets and asset management,” at the School of Economics of Kyushu University.
- June 2024  
Delivered a lecture, “Present situation and the future direction of sustainable finance” within a course, “Corporate technological strategies and international public policies” at the Graduate School of Public Policy of the University of Tokyo.

### Case Study

- Provide an e-learning program on trends in responsible investment
  - Learning sessions (biodiversity) by WWF JAPAN
  - Learning sessions (GX) by ESG analysts of securities companies.
  - Impact investment events by domestic VCs and startups, etc.
- **Number of employees who acquired certification of Eco Test\***



### Event



Impact investment event  
held in July 2024

\* Eco Test (Certification Test for Environmental Specialists), which is hosted by the Tokyo Chamber of Commerce and Industry, is an examination designed to gain wide knowledge of environment. The chart indicates the number of employees in the asset management department (approx. 300) who have acquired Eco Test certification.

