

## **Basic Principles on Responsible Investment**

Sumitomo Life (hereinafter “the Company”) presents “contribution to the advancement of social and public welfare” as its reason for existence (purpose) with the aim of being an “indispensable insurance group” that contributes to well-being through business activities, including asset management. These principles indicate our approach to responsible investment as an institutional investor.

### **1. Basic Approach to Responsible Investment**

- The Company is working on stable and profitable asset management over the medium to long term in order to make prompt and certain payment of future insurance claims and other benefits. In order to achieve this, we believe that the existence of a sustainable society is extremely important.
- In addition, we believe that contributing to resolving social and environmental issues as a responsible investor is our responsibility to society, including customers, and the initiatives to realize Sustainability Management Policy. Furthermore, they will reduce the risks posed by social and environmental issues and lead to opportunities enhancing investment returns.
- Therefore, with the aims of both contributing to the realization of a sustainable society and ensuring stable investment returns over the medium- to long- term, we will actively promote asset management (responsible investment) that considers medium- to long-term sustainability in all assets under management.

### **2. Basic Initiatives for Responsible Investment**

#### **a. ESG investment**

- When making investment decisions on all assets under management, we will systematically consider ESG factors based on the characteristics of each asset. In addition to ensuring profitability, we will actively engage in investments that intend to create a positive impact while limiting the negative impact, with the aim of solving social issues. We will not conduct investment that would cause a significantly negative impact on society or the environment.

\* For the “Policy for Sectors with High Social and Environmental Risk,” please refer to the attachment<sup>1</sup>.

#### **b. Stewardship activity (dialogue and exercise of voting rights)**

- As well as accurately assessing the conditions of investee companies and seeking to share mutual understanding with them, we will encourage them to make appropriate information disclosure and improve initiatives, and promote their medium- to long-term corporate value improvement and sustainable growth.

\* For the “Adherence to Each Principle of Japan’s Stewardship Code,” please refer to the attachment2.

c. Information disclosure

- The Company will proactively disclose information on its efforts for responsible investment via its website and other means, and regularly update the information.

d. Human resource development and capability building

- We aim to improve responsible investment activities by establishing necessary structure such as organizations and bodies including the Responsible Investment Committee, and by developing human resources with necessary skills and knowledge.

e. Collaboration with stakeholders

- With regard to internationally important ESG issues, we will collaborate with other institutional investors, etc. through participation in Japanese and overseas initiatives from the perspective of enhancing effectiveness. We will also endeavor to promote responsible investment by actively participating in various meetings held by such initiatives, etc.

### **3. Response to ESG Issues**

a. Environmental issues

- The Company aims to realize carbon neutrality by 2050 as the decarbonization of society is essential for a sustainable society. From the standpoint of an institutional investor, we will support initiatives aimed at the decarbonization of investee companies mainly through dialogue and financing. We will also work on environmental issues, including biodiversity.
- In our dialogue activities, we will promote the formulation and implementation of green house gas (GHG) emission reduction targets by investee companies in accordance with the risks and issues faced by each company, based on international trends.

- We will actively work on green financing and transition financing on the premise of securing a certain level of investment return, considering that this is the Company's mission and an important investment opportunity, since the realization of a decarbonated society requires considerable funds.
- In particular, we will actively work on transition financing ,because we expect that the GHG emissions in the investee companies will decrease over the medium- to long-term as a result of their reduction efforts , although financing to high emitting companies may lead to a temporary increase in our financed emissions.

#### b. Social issues

- Efforts to solve social issues, such as supply chain management, measures to address human rights issues, and the promotion of human capital management ,including diversity and inclusion, not only reduce business risks but also secure business opportunities and further lead to the realization of a sustainable society. We will also proactively engage in such efforts in our responsible investment activities.
- With respect to human rights in particular, we will promote respect for human rights, including at investee companies, in line with the Sumitomo Life Group Human Rights Policy.

#### c. Governance issues

- The establishment of a sound governance system is a prerequisite for resolving issues aimed at improving corporate value over the medium- to long- term, including environmental and social aspects. Therefore, we will focus on promoting initiatives to enhance effectiveness, rather than simply improving formalities, based on the circumstances of investee companies.

Attachment1 Policy for Sectors with High Social and Environmental Risk

Theme	Sector	Assets	Policy
Human rights	All Sectors  Inhuman Weapons	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. Should an investee company or project be 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> <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 that 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

## Attachment2 Adherence to Principles of Japan's Stewardship Code

Sumitomo Life accepts the Principles for Responsible Institutional Investors (Japan's Stewardship Code), and actively engages in activities to fulfill its stewardship responsibilities (stewardship activities) as follows.

### Principle 1

Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

- The Company manages the valuable insurance premiums entrusted to us by customers and engages in asset management . We will fulfill our responsibilities through these activities upon publicly disclosing the "Basic Principles on Responsible Investment." (\*)  
(\*) For the separate account, we select external asset managers with due consideration to adherence to the Stewardship Code.

### 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.

- In order to protect the interests of our customers, the Company has established various regulations, including the Policy on Management of Conflicts of Interest based on the Insurance Business Act and the Financial Instruments and Exchange Act,

and we conduct stewardship activities in compliance with laws and regulations related to conflict of interest management and provisions thereof.

- In exercising voting rights, we have built a highly transparent operating structure that includes outside experts. Specifically, the Compliance Control Department conducts monitoring from the perspective of managing conflicts of interest in exercising voting rights, and the Responsible Investment Committee, the majority of whose members are outside experts, deliberates on the appropriateness of voting for and against agenda items of companies suspected, for example, of having the following types of conflict of interest, from among the voting rights exercised by the Asset Management Department. In addition, agenda items that are thought to require confirmation of the appropriateness of exercising voting rights, such as agenda items that include new issues regarding approval or disapproval decisions, or agenda items of companies that are attracting considerable social attention, are also deliberated.

<Main types of companies checked by the Responsible Investment Committee>

- ✓ Companies with a high volume of insurance transactions
- ✓ Companies with a high number of entrusted pensions
- ✓ Companies with a high number of loans, etc.

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.

- When the Company conducts stewardship activities (dialogue and exercise of voting rights), corporate analysts in charge investigate and analyze the situation of investee companies from a wide range of perspectives, including the investee

company's financial performance/conditions, capital policy, stance on distribution of returns and sustainability initiatives, while also taking into account the unique perspective of the assets under management they are in charge of. In addition, after conducting dialogue, we strive to conduct more accurate corporate analysis and link this to investment activity by utilizing the contents of the exchange of opinions with 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.

- Through our stewardship activities, the Company seeks to share an understanding with investee companies regarding issues identified through investigation and analysis of investee companies.
- Since the issues and solutions of companies vary depending on factors such as their scale and growth stage, we encourage the improvement of issues by explaining our concerns and requests as an institutional investor while taking into account the company's philosophy and history. We are also encouraging the efforts of individual companies to solve SDGs issues so that these will lead to the medium- to long-term improvement of corporate value.
- The Company selects dialogue partners from the perspectives of promoting corporate value improvement and sustainable growth, and engages in dialogue with the theme of solving issues. In addition, dialogue partners are selected with an emphasis on the perspective of effectiveness, taking into consideration the scale of the issues (including the amount of GHG emissions), the amount held, and the content of the previous dialogue.
- If there are no signs of improvement in the investee company's initiatives through dialogue, while we will continue to engage in dialogue, we will also consider options such as opposing the exercise of voting rights or the sale of shares, depending on the situation.

- As a general rule, the abovementioned engagement is conducted independently. However, from the perspective of more strongly encouraging the improvement of issues, etc., we also work on collaborative engagement with other investors and will further promote these efforts.
- When conducting dialogue, we take the utmost care not to obtain undisclosed material facts. In the unlikely event that we obtain insider information, we will respond appropriately in accordance with internal regulations.
- If we receive inquiries from investee companies regarding our shareholding status, we will explain the status and strive to promote constructive dialogue with them.

#### 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.

- The Company has established “Guidelines for Exercising Voting Rights and Background Concepts” and determines whether to vote for or against a proposal when exercising our voting rights, in light of the content of dialogue with investee companies and the status 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.



- We publicly disclose a table summarizing the voting results for each major type of agenda item, as well as the voting results and examples for each company and agenda item. In order to increase transparency and explain our approach, in addition to explaining the reasons for voting against agenda items, we also publicly disclose the reasons for voting for agenda items deemed to be important from the perspective of contributing to constructive dialogue with investee companies, including agenda items that appear to have conflicts of interest or agenda items that are judged to be requiring explanation in light of the principles for the exercise of voting rights. We will continue to enhance disclosure and strive to improve transparency.
- \* The Company may lend stock. In the event that stock lending transaction extends beyond the vesting date of the voting rights of the investee company, we will request the return of the stock as necessary.

#### 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.

- In terms of reports on our stewardship activities, we post examples of dialogue with investee companies, results of the exercise of voting rights, and other matters on our website as the “Responsible Investment Activities Report,” and regularly update the information.
- We also post “Guidelines for Exercising Voting Rights and Background Concepts” and “Individual Disclosure for Exercising Voting Rights” on our website, and regularly update the information. These disclosures ensure transparency in our stewardship activities and exercise of voting rights.

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.

- In addition to the financial information of investee companies, we are working to build and maintain internal systems and develop human resources in order to appropriately implement stewardship activities, taking into consideration non-financial information such as sustainability. With regard to the formulation and review of annual plans for these activities, we are working to improve stewardship activities by appropriately implementing the PDCA cycle based on reports to directors, etc. and advice from the “Responsible Investment Committee.”
- In order to improve our stewardship activities, we conduct self-evaluations of the implementation status of each principle of the Stewardship Code and publish the results in our “Responsible Investment Activities Report.”

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