

June 29, 2021

Sumitomo Life Insurance Company

Sumitomo Life sets reduction target for 2030 concerning greenhouse gas emissions from the asset portfolio

Sumitomo Life Insurance Company (President & CEO: Yukinori Takada; hereinafter “Sumitomo Life”) has set a reduction target for 2030 concerning greenhouse gas (“GHG”) emissions from the asset portfolio.

1. Reduction target for 2030 concerning GHG emissions (asset portfolio)

Sumitomo Life is aiming for net-zero GHG emissions in 2050, in order to contribute to the realization of a decarbonized and sustainable society^{*1}. We hereby announce the reduction target for 2030 concerning GHG emissions from the asset portfolio, as follows.

*1: Please see our news release ‘Sumitomo Life sets reduction targets toward net-zero greenhouse gas emissions’ for details.

<https://www.sumitomolife.co.jp/english/newsrelease/pdf/nr20210401.pdf>

a. Level of reduction target

Sumitomo Life, as a responsible institutional investor, has set the reduction target of its asset portfolio for 2030 at “-42% compared to FY2019,” based on the Japanese government’s policy^{*2} as well as from the perspective of contributing to the achievement of goals of the Paris Agreement.

The mission of Sumitomo Life is to ensure the prompt payment of insurance claims and other benefits in the future. In order to fulfil our mission, we aim to secure stable investment returns over the medium- to long-term, and the realization of a sustainable society is indispensable for this. Climate change, in particular, is an important and urgent social issue, and we recognize that unless we take action to realize a decarbonized society, there is a strong possibility that the lives of our customers will be greatly affected in the future, and that the asset portfolio will also be severely impacted. Based on this recognition, Sumitomo Life has set the target as above.

*2: The Japanese government declared the policy of aiming “to reduce total GHG emissions by 46% in FY2030 compared to FY2013” (interim target), and stressed that “Japan will continue strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50%” (challenge target). This challenge target of “-50%” is equivalent to “-41.9%” based on FY2019 results.

b. Reduction indicator

The reduction target pertains to “GHG emissions proportional to amount of balance held in the portfolio,”^{*3} rather than to the total amount of GHG emissions. We adopted this indicator from the perspective of implementing an appropriate PDCA cycle, as GHG emissions from an asset portfolio are affected by increases and decreases in the asset size.

*3: “GHG emissions proportional to amount of balance held in the portfolio” is measured by dividing the GHG emissions from the asset portfolio by the amount of balance held, and it is also known as “carbon intensity relative to corporate value”. “GHG emissions from the asset portfolio” is the cumulative total of the GHG emissions of each investee multiplied by the investor’s ratio of balance held, i.e., the cumulative total of the amount of balance held by the investor divided by the corporate value of the investee multiplied by the GHG emissions from the investee.

c. Assets covered

The assets covered by the reduction target are “domestic and overseas listed stocks, corporate bonds, and loans,”*4 for which GHG emissions data can be obtained at present, and a part of delegated assets will be included. Sumitomo Life defines the assets covered by the aim for net-zero GHG emissions by 2050 as “all assets excluding government bonds, etc.,” therefore, will consider expanding the scope of assets for the assets covered by the reduction target for 2030 to include those for which GHG emissions data become obtainable in the future.

*4: Includes project financing (e.g. renewable energy projects, etc.)

d. Scope*5 covered

Scope covers Scope 1 and Scope 2 of investees. We do not cover Scope 3 data, as we recognize that it is difficult to obtain such data for many of our investees at present. However, when engaging in dialogue with investees from whom we can obtain data, we will act based on the status of Scope 3 as well. We will consider including Scope 3 data if it becomes widely available in the future.

*5: Scope is a concept in the GHG emissions accounting and reporting standards for businesses stipulated by the GHG Protocol and refers to the following.

- Scope 1: Direct emissions from fuel use
- Scope 2: Indirect emissions from use of electricity and heat purchased
- Scope 3: Indirect emissions from business activities other than those in Scope 1 and 2

2. Measures to achieve the reduction target for 2030

Sumitomo Life aims to achieve the reduction target by promoting responsible investment positively. One of the measures for achieving the target would be to shift the asset portfolio from high-emitting industries and companies to low-emitting industries and companies. However, Sumitomo Life believes that it is important to reduce the GHG emissions of society as a whole by reducing the GHG emissions of each of its investees.

Therefore, we consider divestment as a last-resort measure, and engagement and financing as the basic measures to achieve the target.

When considering and executing financing, the investment must be consistent with Sumitomo Life’s investment policies from the perspective of risk and return, since investment return is also an important factor for a responsible institutional investor.

a. Promote dialogue for decarbonization (Measure (1))

We will promote dialogue activities with the aim of encouraging corporate efforts toward decarbonization for our investees, especially those in industries and companies with high emissions. In doing so, we will aim for constructive dialogue based on the characteristics and circumstances of the industries of investees, including from a finance perspective, while taking into account the interim target*6 of the Japanese government.

*6: The interim target refers to “-46% (total volume basis) compared to FY2013.” This is equivalent to “-37.3%” based on FY2019 results.

b. Expand green financing and transition financing (Measure (2))

High-emitting industries and companies generally play a role in supporting the infrastructure of the economy, and we believe that their transition will be the key to realizing a decarbonized society. Therefore, we will proactively consider and provide green financing and transition financing for such industries and companies on the premise of securing a certain level of investment return.

Although financing to high emitting industries and companies may lead to a temporary increase in GHG emissions from the asset portfolio, we expect that the GHG emissions will decrease over the medium- to long-term as a result of the reduction efforts of the industries and companies.

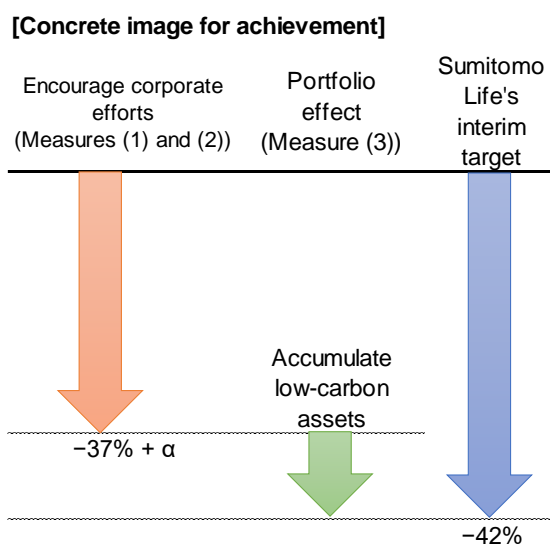
c. Expand project financing (Measure (3))

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

d. Concrete image for achievement

Since the GHG emissions from an asset portfolio are the investor’s commensurate share of the emissions from the investees, Sumitomo Life expects our investees to make efforts to reduce their emissions beyond the Japanese government’s interim target.*7 Therefore, we will encourage corporate efforts through dialogue (Measure (1)) and green financing and transition financing (Measure (2)).

In addition, since project financing (Measure (3)) is basically premised on low-carbon assets, we will endeavor to improve the reduction indicator by accumulating such assets and achieve the reduction target (effect associated with the improvement of the asset portfolio = portfolio effect).



*7: Same as *6

e. Timely and appropriate implementation of PDCA

Under the responsible investment structure which was strengthened from the beginning of FY2021, we will implement the PDCA cycle in a timely and appropriate manner, check the status of achievement.