

Feature 2

# Climate change

## Aim to realize carbon neutrality (decarbonized society) by 2050

Sumitomo Life has established the "Sumisei Environmental Policy" as a specific policy for activities concerning the global environment, premised on its belief that protecting the global environment constitutes an important management issue based on the awareness that the global environment forms the foundation of a sustainable society. Through our efforts to achieve net-zero greenhouse gas (GHG) emissions, we aim to serve as an "indispensable life insurance company" for society by addressing the social issue of climate change, which affects the whole world including Japan, in both our core businesses of providing life insurance and handling institutional investment.

### Sumisei Environmental Policy

Sumitomo Life believes that maintaining and preserving the global environment is indispensable for our goal of realizing "a society of affluence, vitality, health and longevity." In keeping with the public nature of our business and our responsibilities to society, the Sustainability Management Policy stipulates that "We contribute to the realization of a sustainable society through efforts to solve social and environmental issues." We will observe the following principles in our daily activities and carry out actions to steadily and sustainably protect the global environment.

- 1 We shall fully recognize the importance of protecting the global environment and the environmental impact of our business activities, and promote global environmental protection and conservation of biodiversity through our business activities.
- 2 Aiming to "the realization of a sustainable society", we contribute to realization of a carbon-neutral society by facilitating the transition to a decarbonized society through initiatives as life insurance company and institutional investor.
- 3 We shall pursue energy and resource conservation, introduction of electricity derived from renewable energy sources, waste recycling, and green purchasing for consumables, fixtures and equipment in offices.
- 4 We shall raise the environmental awareness of each officer and employee of the Company, support their activities to protect the global environment, and actively contribute to society on the environmental front.

## GHG emissions reduction targets<sup>\*1</sup>

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

Category	Reduction Indicator (Unit)	2030 Target	2050 Target
Scope 1 + 2 + 3	Total emissions (t-CO <sub>2</sub> e)	-40% (compared with fiscal 2019)	Net zero
Asset portfolio <sup>*2</sup>	GHG emissions proportional to the amount of balance held in the portfolio (t-CO <sub>2</sub> e/million yen)	-42% (compared with fiscal 2019)	

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

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

We will further promote energy and resource conservation efforts in our equipment and facilities, which we have been working on for some time, as well as employee-participatory efforts, such as reducing waste by promoting reusable bags and personal use thermos bottles. Moreover, in addition to formulating a plan to switch to LED lighting to reduce emissions, we are also considering the use of electricity derived from renewable energy sources and in April 2022 started introducing such measures in certain buildings.

### Initiatives through business activities

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

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



### Environmentally friendly property management

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

- Install energy-saving equipment
- Introduce electricity derived from renewable energy sources
- Carefully set the temperature of air conditioners
- Acquire Green Certification



Agency for Natural Resources and Energy business classification and evaluation system  
 Awarded S Class ranking 7 years in a row (Shinjuku Green Tower Building)

## Initiatives to reduce emissions resulting from the asset portfolio

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

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

### Promote dialogue for decarbonization

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

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

### Expand green financing and transition financing

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

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

### Expand project financing

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

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

## Adoption of TCFD recommendations

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



### Governance

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

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



### Strategy

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

<p><b>Opportunities</b></p> <p>In asset management, we are encountering more opportunities for investment and financing particularly with respect to companies that develop technologies contributing to a carbon neutral society as well as projects related to renewable energy.</p>	<p><b>Risks</b></p> <p>The following risks from among those related to climate serve as the primary risks that may significantly affect Sumitomo Life's business.</p> <ol style="list-style-type: none"> <li>1 Risk of incurring losses amid changes in the incidence of death, etc. over the medium to long term due to factors that include higher average temperatures (under the "(ii) rocky road" scenario)</li> <li>2 Risk of future impairment on the value of Sumitomo Life's investment and loan assets under a situation where Sumitomo Life becomes subject to substantial effects involving its investees due to factors that include policy changes and regulatory reforms regarding the transition to a carbon neutral society (under the "(i) green road" scenario)</li> </ol>
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We have performed scenario analysis enlisting the following steps in order to evaluate effects of climate-related risk on the life insurance business and the asset management business based on our awareness of the aforementioned risks.

STEP 1	STEP 2	STEP 3	STEP 4
<p><b>Assess materiality of risks</b></p> <p>Risk exemplified in the TCFD recommendations</p> <ul style="list-style-type: none"> <li>○ Physical risks: acute risk and chronic risk</li> <li>○ Transition risks: policy and legal risks, technology risk, market risk, and reputation risk</li> </ul>	<p><b>Identify scenarios</b></p> <p>Select a scenario under which the average temperature rises by 2°C or 4°C prior to the year 2100 relative to average temperatures prior to the Industrial Revolution</p> <p>"(i) Green road" scenario (increase of 2°C)                      "(ii) Rocky road" scenario (increase of 4°C)</p>	<p><b>Evaluate business impacts</b></p> <p>Evaluate effects on the life insurance business and the asset management business</p>	<p><b>Identify potential responses</b></p> <ul style="list-style-type: none"> <li>• Keep considering options in terms of approaches to analyzing effects of rising mortality on payments of insurance claims and benefits</li> <li>• Calculate and analyze volumes of GHG emissions resulting from the asset management portfolio</li> </ul>

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

## Risk management

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

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



## Metrics and targets

We initially aim to achieve the GHG emissions reduction targets shown on the previous page, on our path to realizing carbon neutrality in 2050. Our actual emissions results are as shown in the table below. A third-party organization has assured the latest emissions data. (Figures subject to such assurance are indicated with a check mark )

Category	Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021
Scope 1 + 2 + 3	t-CO <sub>2</sub> e	181,588	154,183	152,831
Scope 1	t-CO <sub>2</sub> e	2,716	2,340	2,268 <input checked="" type="checkbox"/>
Scope 2	t-CO <sub>2</sub> e	36,097	28,137	28,308 <input checked="" type="checkbox"/>
Scope 3 <sup>*1</sup>	t-CO <sub>2</sub> e	142,775	123,706	122,255 <input checked="" type="checkbox"/>
Asset portfolio <sup>*2</sup>	Million t-CO <sub>2</sub> e	8.7	8.0 <input checked="" type="checkbox"/>	-
	t-CO <sub>2</sub> /million yen	1.34	0.96	-

<sup>\*1</sup> It includes Category 1, 3, 4, 5, 6, 7, 12, and 13.  
<sup>\*2</sup> For emissions from the asset portfolio, the latest data is for fiscal 2020 (calculated using the Company's balance held at the end of March 2021 and the GHG emissions data for investees in fiscal 2020).



Please refer to the Sumitomo Life website for details.  
<https://www.sumitomolife.co.jp/english/sustainability/csr.html#sec03>

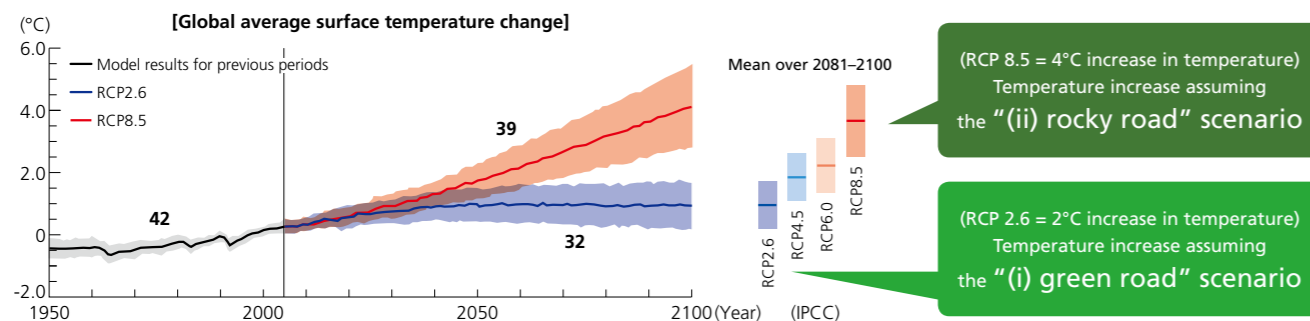


Sumitomo Life has conducted scenario analysis\* seeking to identify the effects of climate-related risk on the Company's business, so far with respect to effects on payments of insurance claims, etc. and asset management, pursuant to the TCFD recommendations.

\* The scenario analysis was performed with the use of reports released by entities such as the "Intergovernmental Panel on Climate Change, Fifth Assessment Report" (IPCC AR5) and the Ministry of the Environment, academic papers, and other existing materials.

### Identifying and defining scenarios

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



#### Scenario (i) (Society takes the green road)

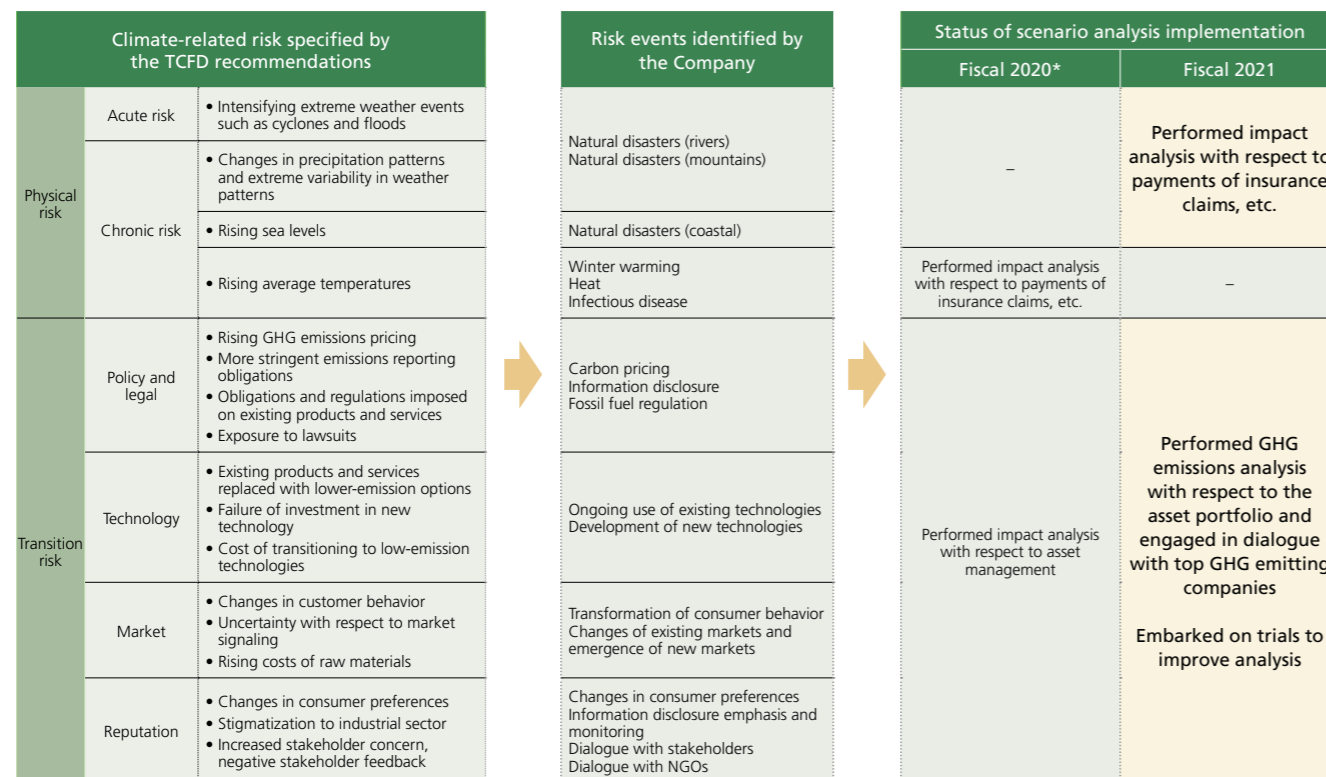
- Average temperature increases by 2°C by 2100
- Society transitions to a more sustainable trajectory amid progress achieved in advances emphasizing environmental constraints; Population decline is relatively alleviated
- Regional disparities are reduced, and forest and agricultural land is properly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

#### Scenario (ii) (Society takes the rocky road)

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

### Scope of scenario analysis from fiscal 2020 to fiscal 2021

For each of the climate-related risks specified by the TCFD recommendations, we have performed scenario analysis upon having identified risk events particularly deemed as being profoundly relevant to the Company's business.



\* Please refer to the Sumitomo Life website for details of analysis results for fiscal 2020.

### Fiscal 2021 initiatives concerning payments of insurance claims, etc.

In fiscal 2021, we performed impact analysis regarding natural disasters that had not been included in the fiscal 2020 scenario analysis.

The evaluation results of the "rocky road" scenario, with a greater impact due to an average temperature increase of 4°C, are as follows.

The findings indicate that natural disasters could have a particularly substantial effect on rivers, culminating in increased damage in the long term, mainly affecting the elderly. However, mortality from natural disasters has not been substantial enough to affect payments of insurance claims, etc. In addition, even if climate change intensifies, we do not expect it to significantly affect profit from insurance products due to various disaster countermeasures, the likelihood of prior evacuation, growing public awareness and other factors.

#### Results of analysis

Situations related to payments of insurance claims, etc.			Relevance to payments of insurance claims, etc.	Effects on mortality		
Situation	Trend	Short term 2025		Medium term 2030	Long term 2050	
Rivers	Floods (River flooding)	Increasing	Minor	Minor to moderate	Minor to moderate	
	Overland flooding	Increasing	Minor	Minor to moderate	Minor to moderate	
Mountains	Debris flow, landslides, etc.	Increasing	Minor	Minor	Minor to moderate	
Coasts	Rising sea levels	Increasing	Minor	Minor	Minor	
	Storm surges and tidal waves	Increasing	Minor	Minor	Minor	
	Coastal erosion	Increasing	Minor	Minor	Minor	
Others	Strong winds, etc.	Increasing	Minor	Minor	Minor	
Impact of compound disasters	-	Increasing	Minor	Minor	Minor to moderate	

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

#### Rivers

- Populations in flood zones are poised to decrease given a lower population overall in the future. However, due to an increasing population ratio of elderly people who may have trouble evacuating if a disaster strikes, we anticipate possible increase in damage in the long term, mainly affecting the elderly.
- However, we do not anticipate a substantial increase in payments of insurance claims, etc. due to flooding in the future, given that mortality from wind and water damage has not been substantial enough to affect payments of insurance claims, etc.

#### Mountains

- Although mortality may increase among the elderly, particularly in the long term, the effect on payments of insurance claims, etc. is likely to not be significant as death tolls from sediment-related disasters have been low.

#### Coasts and others

- Mortality from rising sea levels, storm surges and tidal waves, coastal erosion, strong winds, etc. is likely to not have a significant effect on payments of insurance claims, etc. as death tolls from such factors have been low.

#### Impact of compound disasters

- Natural disasters are likely to have a minimal effect on payments of insurance claims, etc. based on past data as mortality from natural disasters have not been significant to affect those payments.
- However, with much of the research on effects of compound disasters still in the early stages, further research is necessary.

### Fiscal 2021 initiatives concerning asset management

Based on our fiscal 2020 scenario analysis, our asset invested is substantially affected by carbon pricing and technology opportunities in high-emission industries. As such, we performed GHG emissions analysis of our asset portfolio and identified investees with the highest GHG emission levels. Based on this analysis, we have been intensively engaging in dialogue with such companies toward achieving decarbonization. In addition, we have performed trials to improve our scenario analysis.

### Toward further progress going forward

The COP 26 United Nations Climate Change Conference in 2021 led to a commitment to pursue efforts for limiting the average temperature increase to 1.5°C worldwide, making it the global standard. Accordingly, we will consider options for applying the 1.5°C scenario to our scenario analysis.

Moreover, we will promote initiatives that include considering expansion of the scope of our analysis on the effects of natural disasters on our business locations, effects on sales activities, etc.

#### [Reference] Trial initiatives to improve analysis concerning asset management

##### Asset portfolio integrity analysis

The TCFD guidance calls for disclosure as to whether asset portfolios align with the 2°C global warming scenario or a scenario of global warming of less than 2°C, and recommends the Implied Temperature Rise (ITR) methodology as one analysis method.

For the ITR indicator, results of trial calculations using MSCI data indicate that our asset portfolio of listed equities, corporate bonds, and loans is above the 2°C threshold.

##### Trial analysis using Climate Value-at-Risk

The TCFD guidance introduces MSCI's Climate Value-at-Risk (CVaR) methodology, which is a forward-looking indicator of percentage loss of corporate stocks and bonds based on climate change under different temperature increase scenarios. Trial implementation of the CVaR methodology suggests greater transition risk under the 1.5°C global warming scenario than under the 2°C scenario, even considering technology opportunities for a decarbonized society.

##### ITR (Implied Temperature Rise)



ITR is an easily understood measure that indicates the extent to which GHG emission volumes associated with current and future business activities of investees align with different average temperature increase scenarios. The ITR indicator makes it possible to visually portray the extent to which a portfolio aligns or misaligns with the Paris Agreement 2°C and 1.5°C global warming scenarios.

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