Feature 3

Climate change / Global environmental protection

Aim to realize carbon neutrality (decarbonized society) by 2050

We will reduce environmental burdens arising in the course of our business activities and consider the importance of biodiversity, based on awareness that the global environment forms the foundation of a sustainable society. By encouraging the shift to a decarbonized society, we will also contribute to the realization of a carbon-neutral society.

Contributing to the achievement of carbon neutrality

Greenhouse Gas Emissions Reduction Targets

We aim for net-zero greenhouse gas ("GHG") emissions by 2050. We have also established reduction targets for 2030 as interim targets.

Sumitomo Life Group*1

2050 Target	Net zero GHG emissions

Category	Reduction Indicator (Unit)	2030 Target
Scope 1 + 2 + 3*2	Total emissions (t-CO_2e)	-50% (compared with FY2019)

Sumitomo Life (Non-Consolidated)

Category	Reduction Indicator (Unit)	2030 Target
Asset portfolio*3	**GHG emissions proportional to the amount of balance held in the portfolio (t-CO_2e / million yen)**	**-50% (compared with FY2019)*4**

*1 Scope of coverage is Sumitomo Life and its consolidated subsidiaries

*2 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 Group
- Scope 2: Indirect emissions from use of electricity and heat purchased by Sumitomo Life Group
- 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 Group and its employees. It includes Category 1 (Purchased Goods and Services), Category 3 (Fuel and Energy-Related Activities Not Included in Scope 1 or Scope 2), Category 4 (Upstream Transportation and Distribution at the expense of Sumitomo Life Group), Category 5 (Waste Generated in Operations), Category 6 (Business Travel), Category 7 (Employee Commuting), and Category 12 (End-of-Life Treatment of Sold Products). Category 13 (Downstream Leased Assets) and Category 15 (Investments) are managed separately as emissions from the asset portfolio.

*3 For the 2050 target, this encompasses all assets excluding government bonds, etc. For the 2030 target, this encompasses domestic and overseas listed stocks, corporate bonds, loans, real estate for investment, and infrastructure investments. Target Scopes are investees' Scope 1 and 2. The reduction indicator is expressed with intensity (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.

*4 This level also meets the reduction level recommended by the Net-Zero Asset Owner Alliance, which Sumitomo Life has joined.

Adoption of TCFD recommendations

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

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

Our "Sustainability Management Policy" stipulates "contribution to the realization of a sustainable society through efforts to solve social and environmental issues," including climate change, and "Sumisei Environmental Policy" has been established as a specific action policy for the global environment. We 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 "Council for Promotion of Social and Environmental Sustainability," which examines responses to Key Items of Sustainability (materialities) related to social and environmental issues, discusses how to deal with climate change issues (reports on the status of responses in the first half and fiscal year to the Executive Management Committee and the Board of Directors).

Strategy

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

Opportunities

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

Risks

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

1. Risk of incurring losses amid changes in the incidence of death, etc. over the medium to long term due to factors that include higher average temperatures
2. Risk of future impairment on the value of our investment assets under a situation where we become subject to substantial effects involving our investees due to factors that include policy changes and regulatory reforms regarding the transition to a carbon-neutral society

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
Assess materiality of risks
Risk exemplified in the TCFD recommendations
- ○ **Physical risks**
  Acute risk and chronic risk
- ○ **Transition risks**
  Policy and legal risks, technology risk, market risk, and reputation risk

STEP 2
Identify scenarios
Select a scenario under which the average temperature rises by 2°C or 4°C by 2100 relative to average temperatures prior to the Industrial Revolution

STEP 3
Evaluate business impacts
Evaluate effects on the life insurance business and the asset management business

STEP 4
Identify potential responses
- Keep considering options in terms of approaches to analyzing effects of rising mortality on payments of insurance claims and benefits
- Engaged in dialogue with top GHG emitting companies in the asset portfolio

[Scenario analysis]

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

We used two socio-economic scenarios in this analysis: "scenario involving an increase in average temperature limited to 2°C," and "scenario involving an increase in average temperature of 4°C," which serve as assumptions for considering how selected risks might develop in the future.

[Life insurance business]

For each of the climate risks specified by the TCFD recommendations, we have identified risk events particularly deemed as being profoundly relevant to the Company's business, and performed an analysis of the effects on payments of insurance claims, etc. due to "winter warming," "heat," "infectious disease," and "natural disasters." Evaluation findings indicate that "heat," particularly in the 4°C increase scenario, would have a substantial effect on the life insurance business, culminating in rising mortality over the medium to long term among vulnerable populations such as the elderly and those with underlying medical conditions. Moreover, the findings indicate that "natural disasters" could have a particularly substantial effect on rivers in the 4°C increase scenario, culminating in increased damage in the long term, mainly affecting the elderly. However, we anticipate that the effects on insurance proceeds and expenses would be limited in all analysis scenarios. For our future responses, we will consider enhancing the analysis, such as by expanding the scope of our analysis and introducing scenario analysis in line with the "Intergovernmental Panel on Climate Change: Sixth Assessment Report" (IPCC AR6), and strive to disclose a quantitative analysis.

Scope of scenario analysis implementation

Climate-related risk specified by the TCFD recommendations			Risk events identified by the Company	Status of scenario analysis implementation
Physical risk	Acute risk	• Intensifying extreme weather events such as cyclones and floods	Natural disasters (rivers) Natural disasters (mountains)	[Fiscal 2021] Impact analysis with respect to payments of insurance claims, etc. (Disclose on page 9 of Sustainability Report 2022)
	Chronic risk	• Changes in precipitation patterns and extreme variability in weather patterns		
		• Rising sea levels	Natural disasters (coastal)	
		• Rising average temperatures	Winter warming Heat Infectious disease	[Fiscal 2020] Impact analysis with respect to payments of insurance claims, etc. (Disclose on page 21 of Sustainability Report 2021)
Transition risk	Policy and legal	• Rising GHG emissions pricing • More stringent emissions reporting obligations • Obligations and regulations imposed on existing products and services • Exposure to lawsuits	Carbon pricing Information disclosure Fossil fuel regulation	Calculate and analyze GHG emissions resulting from the asset management portfolio Initiatives to improve analysis
	Technology	• Existing products and services replaced with lower-emission options • Failure of investment in new technology • Cost of transitioning to low-emission technologies	Ongoing use of existing technologies Development of new technologies	
	Market	• Changes in customer behavior • Uncertainty with respect to market signaling • Rising costs of raw materials	Transformation of consumer behavior Changes of existing markets and emergence of new markets	
	Reputation	• Changes in consumer preferences • Stigmatization to industrial sector • Increased stakeholder concern, negative stakeholder feedback	Changes in consumer preferences Information disclosure emphasis and monitoring Dialogue with stakeholders Dialogue with NGOs	

[Asset management business]

Our assets invested are 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 initiatives to improve our scenario analysis. These include use of the "Climate Value-at-Risk" (CVaR) and "Implied Temperature Rise" (ITR) methodologies, which are provided by MSCI.

[Reference] 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.

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)

>2°C

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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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.

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

Sumitomo Life Group

(Figures subject to such assurance are indicated with a check mark ☑)

Category		Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Scope 1+2+3	(Unit: t-CO_2e)	165,249	140,313	145,966	150,891
Scope 1: Direct emissions (use of gas and gasoline)		15,476	11,219	13,112	13,306 ☑
Scope 2: Indirect emissions (use of electricity and heat)		38,795	30,514	30,432	28,687 ☑
Scope 3: Indirect emissions excluding the Company (supply chains)		110,977	98,580	102,422	108,897 ☑
	Category 1: Purchased Goods and Services	38,046	35,918	41,630	38,646 ☑
	Category 3: Fuel and Energy-Related Activities Not Included in Scope 1 or Scope 2	6,337	5,278	5,132	4,838 ☑
	Category 4: (Upstream Transportation and Distribution)	1,367	1,317	1,650	1,519 ☑
	Category 5: Waste Generated in Operations	2,022	1,690	1,981	2,275 ☑
	Category 6: (Business Travel)	5,906	4,264	3,050	6,771 ☑
	Category 7: (Employee Commuting)	56,933	49,843	48,611	54,600 ☑
	Category 12: (End-of-Life Treatment of Sold Products)	365	270	369	249 ☑

Sumitomo Life parent only

(Figures subject to such assurance are indicated with a check mark ☑)

Category		Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Asset portfolio*	Total emissions (Million t-CO_2e)	8.7	8.0	7.9 ☑	–
	GHG emissions proportional to the amount of balance held in the portfolio (intensity) (t-CO_2e/million yen)	1.22	0.92	0.82	–

* The latest actual results available for the asset portfolio are those for fiscal 2021. The actual figures have been adjusted in accordance with the revision of the target assets for the 2030 reduction target in March 2023.

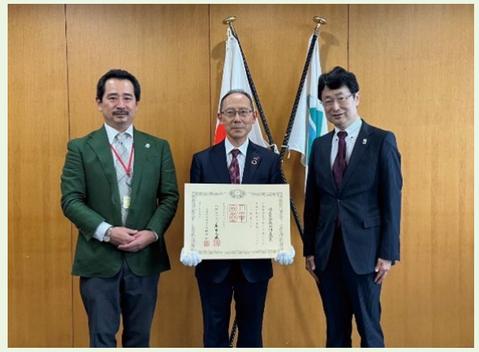
Approach to global environmental protection and biodiversity conservation

As stated in the Sumisei Environmental Policy, Sumitomo Life has thus far recognized the importance of global environmental protection and biodiversity conservation and is engaged in various initiatives. For example, as part of the Sumisei "Humany" activities that were started in 1992, many employees have been actively involved in cleaning coastal areas, preserving woodlands and other activities.

We have also contributed to activities that protect the future of the bountiful sea through support of WWF Japan's project to save coral reefs since 2008 and support of WWF Japan's marine conservation activities since 2022. In June 2023, Sumitomo Life was awarded the Medal with Dark Blue Ribbon in recognition of this support. (the photo)

In terms of information disclosure, the enhancement of disclosure will be an issue to deliberate in the Council for Promotion of Social and Environmental Sustainability and appropriate measures will be implemented based on the TNFD* Recommendations published in September 2023.

* Taskforce on Nature-related Financial Disclosures



Award ceremony for Medal with Dark Blue Ribbon

Mr. Naohisa Okuda, Director General, Nature Conservation Bureau of the Ministry of the Environment (right) (position at the time of the award ceremony)
Mr. Sadayoshi Tobai, Chief Executive Officer of WWF Japan (left)
Mr. Hideyuki Sumi, Director, Senior Managing Executive Officer, Representative Executive Officer of Sumitomo Life (middle)

Initiatives for realizing carbon neutrality by 2050 –Road map for addressing climate change–