

# Third Party Comments on Corporate Responsibility Communication 2015

## Ms. Carolyn Schmidt

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Member of ISO 26000 Working Group on Social Responsibility, 2005–2010;  
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### Consistency of Material Issues and Strengthening of CSR Structure

The Sompo Japan Nipponkoa Group is to be commended for the consistency of this year's *Corporate Responsibility Communication*, in the midst of organizational structural change which is the culmination of several years of effort to merge two large and well-established insurance companies. This year's report retains the previous Six Material Issues, expands the Key Performance Indicators for each, and reiterates the importance of stakeholder engagement. There have also been some structural changes which increase the integration of CSR throughout the company, as part of the connection of many component sections. For example, all group companies now have to meet the same CSR targets and use the same Key Performance Indicators for measuring their efforts. In addition, each group company has its own CSR management team, led by an executive officer.

### Continuing Achievements in Weather Index Insurance

Establishing a commendable pay-out record for the original weather index insurance for farmers in Thailand has provided momentum for expansion of similar programs into Myanmar and the Philippines. This creative approach to climate change adaptation, serving some of the most vulnerable populations, earned the Sompo Japan Nipponkoa Group membership in the Business Call to Action, a United Nations initiative that recognizes business models that contribute to sustainable development.

### The Challenges of Organizational Governance

ISO 26000, the international standard that provides guidance on social responsibility, identifies seven "core subjects", each of which is a necessary component of responsible corporate activity. These are: Organizational Governance, Human Rights, Labour Relations, Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development. The "core subject" that appears to be the most difficult for the great majority of users of ISO 26000 is Organizational Governance. This is because there are many ways to create the appearance of compliance with CSR expectations while simultaneously increasing pressures to override social responsibility for short-term financial gain.

I have observed that a number of high-profile multi-national corporations, in my home state of Vermont (USA) and also in Japan, have recently had difficulties related to management setting unrealistically high goals for production, sales and profits; this has

had the organizational impact of encouraging systematic misconduct and financial misreporting as employees struggled to meet those targets. The role of independent members of Boards of Directors has also come into question. These are difficult issues for everyone.

For this reader, one approach which can be very useful in avoiding this problem is to integrate financial reporting into the CSR report itself. The Sompo Japan Nipponkoa Group Material Issue of Disclosing Transparent Information would appear to provide a place for this. Sompo Japan Nipponkoa Group could once again take a leadership position by incorporating its basic financial benchmarks and reporting into the CSR report in the future. By increasing transparency and open discussion of how it is confronting these pressures, the Group also has an opportunity to increase stakeholder engagement and dialogue.

### Suggestions for Improvement

This year's report overall does not exhibit the depth and specificity of recent years. The "Engagement Highlights", for example, describe discussions between experts in different fields (Socially Responsible Investing Experts, Environment, Social and Governance Experts, Diversity Advocates, and CSR Rating Agencies). While the invited speakers and topics sound fascinating, the descriptions in the CSR Report are brief and general. Readers might view this as lack of documentation. I see this year's more general reporting as a reflection of multiple broad efforts across a very large and diverse corporation. Therefore this year's report may need to be supplemented with the excellent detail of previous reports.

The overseas operations are an increasingly significant part of the overall business activity of Sompo Japan Nipponkoa Group. Indeed, the financial reporting segments are: Domestic P & C Insurance, Domestic life insurance, and Overseas insurance. The most rapid growth, both in net premiums written and net income, appears to be in the overseas segment, primarily due to acquisitions. It would be useful to identify the extent to which the CSR programs so prominent in Japan are also being incorporated into overseas office activities. For example, what is the extent to which group programs such as CSR-EMS and CSR Eco-Facilitator are used by overseas offices? Does the group encourage investee companies or suppliers to apply similar standards in environment, human rights, and financial transparency? This challenge, while formidable and long-term, becomes more significant with the rapid growth of the overseas segment.

# Response to the Third Party Comments



## Shinji Tsuji

Representative Director  
Deputy President and Senior Managing Executive Officer (Group CFO)

We would like to express our sincere appreciation to Ms. Carolyn Schmidt, Program Director of ECOLOGIA, who has reviewed our group *Corporate Responsibility Communication* every year since 2005. We are very pleased that you recognize the synergies we are achieving following the merger of two of our major subsidiaries.

As stated earlier in the report, we have been accelerating efforts to reinforce corporate responsibility on a group level, creating a group-wide CSR management structure in fiscal year 2014, and revising our CSR-KPIs for this year based on a review of the previous year's results.

We are honored at being granted membership to the Business Call to Action, and will continue our endeavor to provide and develop new products and services that help to address social issues such as climate change, poverty, and human rights.

As suggested in the third party comments, it is essential that we fortify our governance system. This fiscal year we increased the number of outside directors from three to four, following recommendations from the Corporate Governance Code published by the Tokyo Stock Exchange in June of this year. To advance CSR efforts, we have created the CSR Management Headquarters as a group-wide management structure, with yours truly serving as Chief Management Officer.

Regarding integrated disclosure of financial and non-financial information, we have been publishing an integrated report since last fiscal year, and continue to publish a *Corporate Responsibility*

*Communication* as a more detailed disclosure of non-financial information. In the future we hope to combine the two into one integrated report.

In response to your comments on the specificity of stakeholder engagement efforts, we now cover various initiatives in greater breadth in *Corporate Responsibility Communication 2015* to ensure that we cover all disclosures required by the GRI Guidelines. Nonetheless, improving on our stakeholder engagement remains a key priority. We also believe that sharing our work with a broad stakeholder base is important, which is why we will continue to disclose information in a timely manner using our official website instead of the *Corporate Responsibility Communication*.

As we seek to expand business through our overseas operations, we recognize the importance of encouraging adoption of best practices for corporate responsibility, measuring performance, and disclosing information on a global basis. Another future task is to develop systems to encourage investee companies and suppliers of overseas group companies to take account of ESG factors.

The Sampo Japan Nipponkoa Group once participated in development of the ISO 26000 standard; now we are helping to develop ISO 20400, the international standard on sustainable purchasing. By being an active member of the international community and engaging in broad-based dialogue with various stakeholders, we will continue to do our part in building a more resilient, more sustainable society as a global leader in corporate responsibility.

### United Nations Global Compact: Communication on Progress 2015

The Ten Principles		Pages
1.	Businesses should support and respect the protection of internationally proclaimed human rights.	7-10, 12, 13, 15, 17, 28, 29, 41
2.	Businesses should make sure they are not complicit in human rights abuses.	7, 12, 13, 28, 29, 41
3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	12, 13, 28, 29, 41
4.	Businesses should uphold the elimination of all forms of forced and compulsory labour.	12, 13
5.	Businesses should uphold the effective abolition of child labour.	12, 13
6.	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	12, 13, 28, 29, 42
7.	Businesses should support a precautionary approach to environmental challenges.	7, 12, 20-22, 35, 41, 42
8.	Businesses should undertake initiatives to promote greater environmental responsibility.	20-22, 35, 41, 42
9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.	39, 40
10.	Businesses should work against corruption in all its forms, including extortion and bribery.	7, Annual Report 44-49

# Assurance by a Third Party Organization

Sompo Japan Nipponkoa Group calculated the amount of greenhouse gasses emitted in fiscal year 2014 by the company as well as from some overseas consolidated subsidiaries. We calculated direct GHG emissions (Scope 1), indirect GHG emissions from energy purchased (Scope 2) and other indirect GHG emissions (Scope 3), and were issued an Assurance Statement from the third party organization, Lloyd's Register Quality Assurance Limited (LRQA).



Assurance by a Third Party Organization

## Topics

### Achieving Carbon Neutrality

Carbon neutral is a term used to describe the action of the company removing as much carbon dioxide from the atmosphere as it put in by buying carbon offsets for emissions that are difficult to eliminate through such action alone in order to achieve closer to net zero emissions. Funds allocated to carbon offsetting are invested in CO<sub>2</sub> emissions reduction and other projects in Japan and developing countries.

To fulfill its mission of providing insurance on a stable basis, Sompo Japan Nipponkoa Insurance works to reduce its greenhouse gas emissions and aims to achieve a carbon neutral status to raise awareness. In fiscal year 2014, Sompo Japan Nipponkoa Insurance achieved net zero CO<sub>2</sub> emissions, thus becoming carbon neutral.



### Group Wide Efforts to Reduce CO<sub>2</sub> Emissions

The Sompo Japan Nipponkoa Group has set targets to reduce CO<sub>2</sub> emissions by 40% in 2020 from the fiscal year 2002 level, and by 70% in 2050. Besides environment-friendly procurement and energy-saving initiatives by the group as a whole, the group is making efforts for the alleviation of environmental burdens throughout the value chain. The group aims to reduce not only direct carbon emissions from energy use, but also indirect emissions (Scope 3) associated with business activities such as sales, business trips, paper use, printing, distribution and disposal.

