

Third Party Comments on CSR Communication Report 2016

Ms. Carolyn Schmidt

Program Director, ECOLOGIA
NGO Delegate, ISO 26000 Post Publication Organization Strategic Advisory Group
Graduate of University of Pennsylvania



An Impressive Achievement

This year's CSR Communication Report is an outstanding contribution to the growing field of global corporate citizenship. It deserves to be widely studied within the community of multinational corporations in all sectors, not only the insurance sector. Clearly written and organized, its dimensions range from organizational governance, to consistent efforts to drive improvements in environment, health and safety throughout the value chain. The report shows attentiveness to new international guidelines such as the UN Sustainable Development Goals. Above all, it contains substance – detailed information on the many aspects of sustainability, organized and explained in a straightforward and compelling narrative.

Sompo Holdings Group has achieved its high profile in CSR through a combination of guidance and values from the top leadership, and dedication to working with a growing number of stakeholders in order to identify and tackle issues as they arise. Stakeholder engagement on all levels is amply documented throughout the report.

Changes in Material Issues

The new Five Material Issues indicate some changes in emphasis, apparently selected to better reflect the capacities of the Group and changing needs of customers. The first Material Issue, "Providing solutions for disaster preparedness", includes "Catastrophe bonds", such as those to provide business protection from raised threat levels of volcanic eruption. These are an innovative vehicle for reducing risks. Material Issue 2, "Contributing to health and welfare," explains new investments in operating long-term care facilities in Japan. The Group is providing a range of long-term care facilities, to meet the needs of those with modest incomes as well as the more affluent. Issue 3, "Promoting the manageability of global environmental issues," highlights climate change adaptation and mitigation, and biodiversity, demonstrating that the Group's commitment to these vital issues has not wavered. Issue 4, "Empowering community and society," includes investment in solar power in former farming areas around Fukushima that were damaged by radioactive contamination. Weather index insurance has expanded to the Southeast Asian countries of Myanmar (drought risk for rice and sesame farmers) and the Philippines (typhoon risk). Issue 5, "Supporting diversity and inclusion in private and public life", documents new efforts to identify and reduce barriers to the full participation of traditionally marginalized groups.

Follow-ups from Last Year's Third Party Comments; Recommendations for the Future

Most of the recommendations made by this reviewer in last year's comments were enacted this year, showing willingness to listen to outsiders and value their input. There is increased reporting on the involvement of the overseas Group companies and offices in the CSR actions which were first implemented in Japan. Detailed data on numerous aspects of environmental and social performance are obtained from each of 27 Group subsidiaries, along with their evaluation of the extent to which they include social responsibility criteria when evaluating their own potential business partners. One-third of these reporting subsidiaries are based in the "majority world." For the future, breaking out these data by individual subsidiary, or perhaps by geographic grouping (ie. Japan-based, Western-based, Asian / Latin-American based) would provide more specifics of how the overseas offices compare with the Japanese ones.

More financial reporting is included in this year's report. Noted this year is the inclusion of remuneration amounts for members of the Board of Directors. However, since investment decisions have major social as well as financial implications, this reviewer recommends that in the future, specific reference should be made to the location of this information in the Annual Report, to inform the CSR reader of the availability and relevance of this information.

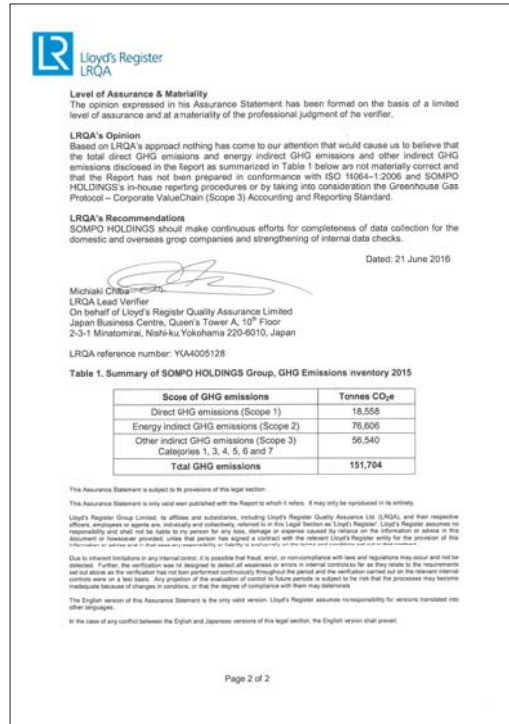
Overall, the consistent inclusion of detailed, specific information within each section provides strong evidence of commitment to report publically on the connections between goals and achievements year on year. Next year's CSR communication can build on these strengths.

Conclusion

As a member of global civil society and advocate for corporate social responsibility, this reviewer has become increasingly aware of the importance of organizational leadership's vision, moral commitment, and capacity to act over time. These are crucial for implementing corporate transformations that are significant enough to have a positive impact on the larger society. From my perspective of eleven years of tracking these CSR communications, the Sompo Holdings Group now ranks high among global leaders in guiding the business world and planet toward the levels of sustainability and fairness that we need to provide for future generations.

Assurance by a Third Party Organization

The Group calculated the amount of greenhouse gasses (GHGs) emitted in FY2015 by major consolidated subsidiaries and service providers. We calculated direct GHG emissions from use of gasoline and other fuels (Scope 1), indirect GHG emissions from energy purchased (Scope 2), and indirect GHG emissions from other activities throughout the value chain, including shipping and travel (Scope 3). We were issued an Assurance Statement from the third party organization Lloyd's Register Quality Assurance Limited (LRQA).



TOPICS

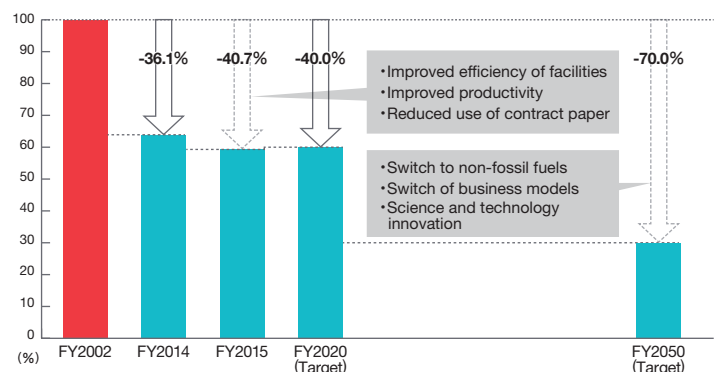
Reducing GHG emissions across the value chain

The Group has set targets to reduce GHG emissions 40% by 2020 and 70% by 2050 (from FY2002 levels) through sustainable procurement, energy-saving, and other Group initiatives. We are also striving to reduce impacts throughout the value chain, which includes all indirect emissions (Scope 3) associated with business activities such as sales, business trips, paper use, printing, distribution, and disposal.

We achieved the 2020 target in FY2015, recording a 40.7% reduction in GHG emissions as a result of installing LED lighting, reducing printing volumes, and increasing employee productivity, among other actions. These efforts were bolstered by the expansion in April 2015 of our CSR management system to all Group companies in Japan,* and receipt in January 2016 of ISO 14001 certification covering 27 group companies, 538 operating sites, and some 40,000 employee in Japan.

*Consolidated group companies as of April 1, 2015.

The Group's Mid- to Long-Term Targets for GHG Emissions Reduction



External Recognition

CSR initiatives by the Group have won many accolades, including from research organizations and others.

Major CSR Awards and Recognitions in FY2015

Awards	Details	Organizer / promoter
Corporate Sustainability Assessment by RobecoSAM	Bronze Class (Sompo Holdings)	RobecoSAM
CDP (Climate Change)	Score 98B, ranked 2nd among Japanese financial institutions (Sompo Holdings)	CDP
Toyo Keizai Inc.'s 11th CSR Corporation Ranking	Ranked 1st in the Category for Financial Business (Sompo Holdings)	Toyo Keizai Inc.
19th "Corporate Environmental Management Survey" Ranking	Ranked 1st in the Category of Non-Manufacturers / Financial Business (Sompo Holdings)	Nikkei Inc.
1st Nihon Service Award*1	Excellence Award (SPRING Award) (Sompo Japan Nipponkoa)	Council of Service Productivity & Innovation for Growth (SPRING)
2nd Space Development and Utilization Grand Prizes	Minister of State for Space Policy Prize (Sompo Japan Nipponkoa, Sompo Risk Management & Health Care)	Office of National Space Policy of the Cabinet Office of the Government of Japan
J-Win Diversity Award 2016	Individual Award in the Management Category (Kengo Sakurada, President & CEO, Sompo Holdings)	Japan Women's Innovative Network
Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)	Environmental Minister's Award (Sompo Japan Nipponkoa)	Ministry of the Environment, Japan
Women's Empowerment Grand Prize Award	Excellence Award (Sompo Japan Nipponkoa)	Japan Productivity Center
2015 Award for Companies Promoting Experience-based Learning Activities for the Youth	Judges Panel Special Award of Encouragement (Sompo Japan Nipponkoa)	Japan Ministry of Education, Culture, Sports, Science and Technology (MEXT)
19th The Environmental Communication Awards	Outstanding Performance Prize (Sompo Holdings)	Ministry of the Environment, Japan Global Environmental Forum
2015 Nikkei Superior Products and Services Awards*2	Nikkei Veritas Award for Excellence (Sompo Holdings)	Nikkei Inc.
2015 Environment Minister's Award for Global Warming Prevention Activity	Implementation of Countermeasures (AIR E Shop 21, (SOMPO JAPAN NIPPONKOA BUSINESS SOLUTIONS))	Ministry of the Environment, Japan
2015 Oricon Customer Satisfaction Ranking (Overseas Travel Insurance Category)*3	No.1 (Sompo Japan Nipponkoa)	oricon ME inc.
Phone Support, Accident Insurance Industry, HDI Benchmarking	3 Stars (Sompo Japan Nipponkoa, Sonpo24)	HDI-Japan
Web Support, Accident Insurance Industry, HDI Benchmarking	3 Stars (Sompo Japan Nipponkoa, Saison Automobile & Fire Insurance, Sonpo24)	
Web Support, Life Insurance Industry, HDI Benchmarking	3 Stars (Sompo Japan Nipponkoa Himawari Life)	
2015 Japan Auto Insurance Shopping Study SM / Japan Auto Insurance Satisfaction Study SM (Direct Type Insure segment)	Highest Customer Satisfaction (Saison Automobile & Fire Insurance)	J.D. Power Asia Pacific
FY2015 Customer Support Award Program*4	Special Award (Human Resources Development Award) (Sonpo24)	Japan Institute of Information Technology
Caring Company	Caring Company 2015 (Sompo Japan Nipponkoa Insurance (Hong Kong))	The Hong Kong Council of Social Services



Inclusion in Socially Responsible Investment (SRI) Indices

The Sompo Japan Nipponkoa Holdings, Inc is included in the following SRI indexes (as of July 1, 2016).

Dow Jones Sustainability Indices (DJSI World, DJSI Asia Pacific)

DJSI World is a leading global SRI index of companies that are leaders in sustainability, as assessed from their approach toward ESG (Environment, Social and Governance) issues.

This is the six consecutive year for Sompo Holdings to be included in the index, and the 16th consecutive year for Sompo Japan Nipponkoa.



MSCI Global Sustainability Indexes / MSCI Global SRI Indexes

These indexes comprise companies from various industries that have earned high evaluations in relation to the environment, society, and governance.



FTSE4Good Index Series

The FTSE4Good Index Series is a group of SRI indexes that evaluate the performances of companies that meet globally recognized corporate responsibility standards, including such ESG issues as aspects on environmental and human rights.



ECPI Global Developed ESG Best-in-Class Equity Index

ECPI Global Developed ESG Best in class Equity Index that are constituted by stocks with high ESG evaluation.



Morningstar Socially Responsible Investment Index

The Morningstar Socially Responsible Investment Index was developed as Japan's first socially responsible investment index comprising Japanese companies.



Managing Executive Officer
(Chief Management Officer of Council for CSR Promotion)

Yasuhiro Tamura



Response to the Third Party Comments

Carolyn Schmidt, Program Director of ECOLOGIA, has written annual third-party comments on Sompo Holdings Group's CSR Communication report since 2005 as a member of global civil society. We are extremely grateful for her long-standing and lucid study of our CSR initiatives, and her thought-provoking suggestions and advice.

We have heeded third-party comments to improve CSR initiatives, including reporting on the CSR relating to our rapidly expanding insurance business outside of Japan. We were praised for aggressively expanding that disclosure in FY2015 to include all major international bases, and obtaining data on environmental, social and governance (ESG) aspects from 27 Group subsidiaries. To provide a more comprehensive picture of our business, we are combining information from the Annual Report (Integrated Report), and incorporating more financial information and Medium-Term Management Plan into the CSR report.

More viable initiatives and accurate reporting

In addition to third-party comments, in FY2012 we started receiving third-party certification of non-financial information to encourage more viable CSR initiatives and accurate reporting. We have extended third-party certification of GHG emissions to more Group companies each year. We are committed to the active and fair disclosure of transparent information by actively incorporating third-party comments and other stakeholder opinions.

Increasing expectations for corporate responsibility

As various social issues become evident, we are witnessing active debate on international agreements to help resolve those issues and realize a more sustainable society. 2015 was an especially prominent year, with Sustainable Development Goals (SDGs) adopted at the United Nation's summit in September, and the Paris Agreement adopted at the 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change in December. Such debate has encouraged cooperation among a broad range of stakeholders, and emphasized the increasing importance of corporate involvement. Society now expects companies to integrate sustainability into their core management strategy.

Realizing a sustainable society

The Group redefined its CSR Material Issues in FY2016 to reflect international developments. We defined five new Material Issues to reflect changes in our business environment and international guidelines such as the SDGs, and established three Key Strengths based on our strongest fields of expertise. We will continue to discuss ways to develop our CSR initiatives with stakeholders, and help create a sustainable society.