

Promoting the Manageability of Global Environmental Issues

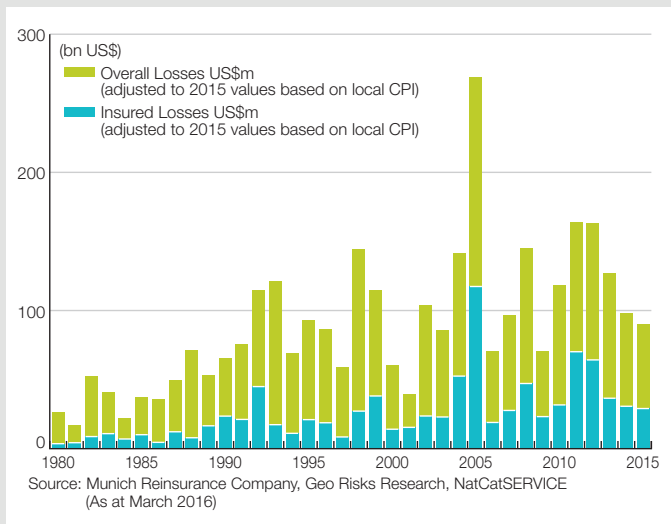


Our Vision

Contribute to climate change adaptation and mitigation, biodiversity conservation, and other global environmental goals through value chain initiatives and provision of new solutions.

The Facts

Weather-related loss events worldwide
1980 – 2015
Overall and insured losses



The world faces rising economic and insurance losses from disasters caused by extreme weather events: Hurricane Katrina in the U.S. in 2005, massive flooding in Thailand in 2011, and Hurricane Sandy in the U.S. in 2012, for example. If global warming continues at its current pace, these losses are expected to escalate even further. The global discourse on addressing climate and other environmental issues is gaining momentum, as evidenced by agreements made at COP21 in Paris, France, and the adoption of the Sustainable Development Goals (SDGs) in 2015. These movements call on all stakeholders to step up action.

Basic Policies for

Our Action

The intensification of natural disasters by climate change can impact the Group's ability to continue providing insurance sustainably, as it causes insurance payments to rise, and with them, insurance premiums. However, the need for climate adaptation and mitigation can also be perceived in a positive light. By offering insurance products and consulting services that cover the risks of weather disasters and renewable energy businesses, for example, we have the potential to create and expand new markets.

We are striving to be leaders in reducing environmental impacts throughout the value chain in collaboration with stakeholders. We have also been working to develop products and services that help reduce the risks and impacts of climate change and disasters, build low-carbon economies, conserve biodiversity, and promote environmentally conscious behavior. Through continued efforts to provide innovative products and services and create partnerships that help reduce impacts, we will contribute to a more resilient and sustainable society.

Basic policies

Group CSR Vision

* SEE ► P.16 for details.

Group Environmental Policy

* SEE ► P.8 for details.

Management System

The Council for CSR Promotion is a Group-wide committee comprised of Group company officers in charge of social responsibility, headed by executive officer on CSR of Sompo Holdings. The Council deliberates and confirms progress on Group CSR measures. Its activities are periodically reported to and discussed by the Management Committee and Board of Directors.

We also utilize the PDCA mechanisms of our ISO 14001-certified environmental management system for reducing the impacts of our business, particularly those from carbon dioxide emissions.

* SEE ► P.28 for an organizational chart of our CSR management system.

FY2016 CSR-KPIs

The following CSR-KPIs were set for FY2016. The boundaries (scope of impacts) covered for each item include the entire Group.

* SEE ► P.25 for a list of CSR-KPIs for all material issues.

* CO₂ emissions includes "Scope 3" emissions that are generated in any part of the value chain of the Group.

Group's CSR-KPIs	FY2016 Targets	Categories of corporate value improvement			
		A	B	C	D
Development and provision of products and services that contribute to climate change adaptation and mitigation	Develop and provide products and services	○	○	○	○
Promotion of the use of recycled parts etc.	Ratio of eco-friendly parts used: 5.0% Ratio of bumpers repaired: 18.0% Ratio of outer panels repaired: 57.0%		○	○	○
Community outreach initiatives in partnership with civil society organizations	Implement various initiatives			○	○
CO ₂ emissions	Reduce by 1.0% from FY2015		○	○	
Electric power consumption	Reduce by 1.0% from FY2015		○		
Paper use	Reduce by 1.0% from FY2015		○		

A Increases revenue and investment income
C Increases brand recognition and trust

B Reduces costs
D Strengthens the organization; enhances employee loyalty

Stakeholder Comments (Excerpts)

- Businesses should face pressure to align their actions to the climate change initiatives and targets set through COP21. (CSR expert international institution)
- I have high expectations for your contributions to promoting renewable energy. (CSR expert international institution)
- Your support in promoting climate adaptation is especially important. (Government)
- I look forward to seeing the Group continue its track record of developing new products and services that offer solutions to environmental issues. (Government)



More details are available in the CSR Case Report

URL : http://www.sompo-hd.com/~media/hd/en/files/csr/communications/pdf/2016/e_case2016.pdf

Our Key Strengths

1

Products & Services

Developing and providing innovative products and services using financial expertise and digital technologies to provide innovative solutions for social issues.

2

Partnerships

Promoting the development of advanced human skills by fostering partnerships with stakeholders representative of broad sectors of civil society.

3

Arts & Culture

Promoting the quality of life and its enrichment by the application throughout all our operations of our expertise and resources in the arts and culture.

Key Initiatives

Weather index insurance for Southeast Asian farmers vulnerable to climate change

Products & Services Partnerships

Weather index insurance is an insurance product that pays out a contractually predetermined insurance amount when a weather index—such as for temperature, wind speed, or rainfall—fulfills certain conditions. Using Sompo Risk Management & Health Care's expertise, we provide a weather index insurance aimed at reducing agricultural business risk in Southeast Asian countries, where agriculture is a key industry that is also vulnerable to climate change.

We began providing weather index insurance in Northeast Thailand in 2010 to alleviate the losses borne by rice farmers when their crops were damaged by drought. Cooperating with the Bank for Agriculture and Agricultural Cooperatives (BAAC), we developed a scheme for farmers who have loan contracts with BAAC to easily participate in an insurance program, and have been steadily expanding the program's geographical reach. In Myanmar, we developed a weather index insurance that covers drought risk for rice and sesame farmers in the central arid region. This insurance, developed in partnership with the Remote Sensing Technology Center of Japan (RESTEC), makes use of rainfall data obtained by earth observation satellites. In the Philippines, we offer Typhoon Guard Insurance which pays out a predetermined insurance amount to agricultural producers if the center of a typhoon passes through a specified area. We are also developing a weather index insurance in Indonesia with assistance from the Japan International Cooperation Agency (JICA).

In recognition of these achievements, we have been approved as a member of the Business Call to Action (BCtA)* alliance led by the United Nations Development Programme (UNDP), which challenges private companies to develop business models that can achieve both commercial success and sustainable development. In 2016 we received Japan's Environment Minister's Award for demonstrating the Principles for Financial Action towards a Sustainable Society. For our initiative in Myanmar we received the Minister of State for Space Policy Prize, at the Second Space Development and Utilization Grand Prize presentation. Aiming to provide weather index insurance to 30,000 farmers in Thailand and other Southeast Asian countries by 2025, we will move forward on our continued efforts in this field.

* SEE ► P.31 for more information about the Business Call to Action (BCtA) and the Principles for Financial Action towards a Sustainable Society.



A preliminary survey conducted in Myanmar

Promoting renewable energy

Products & Services

With renewable energy use increasing worldwide, we offer insurance and site-specific risk analysis services to support companies entering the renewable energy generation business.

Sompo Japan Nipponkoa offers an Electricity Revenues Compensation Rider to compensate for reduced business profits in the event that projected revenues from the sale of solar-generated power are not achieved as a result of damage from a fire, natural disaster, or other hazard. Applying Sompo Risk Management & Health Care's know-how in preventing accident recurrence, we help wind power companies stabilize operations by offering property and casualty insurance with a rider that covers the costs of actions to prevent accidents from recurring. For offshore wind power companies, we offer insurance to cover damage to offshore wind power facilities due to unforeseen or sudden accidents during construction and during actual generation. Sompo Canopus has created a special in-house department to provide property and casualty insurance for offshore wind companies in Europe. Sompo Risk Management & Health Care has developed a risk assessment model for wind power facilities—a world-first—and intends to use the model to launch services that promote wind development. The company's current service offering includes: site-based risk diagnosis for renewable energy facilities; risk consulting relating to fire and crime prevention for megawatt-scale solar power plants (in partnership with Sohgo Security Services Co.); risk diagnosis for onshore and offshore wind power facilities in the planning stage; and risk inspection for wind power plants in operation.

Promoting SRI funds as a pioneer in Japan

Products & Services

Sompo Japan Nipponkoa Asset Management offers a socially responsible investment (SRI) fund to meet the needs of individual and institutional investors. The Sompo Japan Green Open fund, launched in September 1999, invests in companies that are proactive on the environment. It has grown to become one of the largest publicly offered SRI funds in Japan, with a net asset balance of 20.3 billion yen (as of May 31, 2016). Promoting investment in environmentally responsible companies is thought to give investors an indirect way to use their capital for environmental conservation.

The fund also aims to promote environmental communication, by conveying environmental information to investors, and facilitating feedback to the invested companies via surveys on their environmental management performance.

We also offer SRI funds that invest in companies that have been rated highly on environment, social, and governance (ESG) performance.



Pamphlet for the Sompo Japan Green Open fund

Key Initiatives

Environmental consulting services Products & Services

Sompo Risk Management & Health Care offers consulting services that help reduce business risks relating to the environment. The services are customized to the unique circumstances of each customer, while improving corporate value and sustainability.

[Most popular consulting services offered]

- Environmental management system consulting (developing ISO 14001 environmental management systems and related consultation)
- Consulting to support compliance with environmental laws and regulations (including research on overseas environmental regulations)
- Support for financial institutions in carrying out environmentally conscious financing
- Investigation of environmental policies and measures (support for calculation of greenhouse gas emissions)
- Consulting for Tokyo Municipal Government and Saitama Prefecture on greenhouse gas emissions reduction systems
- Environmental and CSR audits and assessments
- Support for CSR information disclosure
- Support for external assessments such as CDP and DJSI

Conserving biodiversity: the SAVE JAPAN Project

Partnerships

Since its inception in FY2011, we continuously implement the SAVE JAPAN Project, which has donated to more than 100 civil society organizations with grassroots biodiversity conservation efforts across Japan. The donations are funded by costs saved when our auto insurance customers select the paperless option to receive their insurance clause or use recycled parts when repairing their vehicles. These partnerships provide opportunities for people to take a greater interest in the natural environment in their local communities and to work towards a sustainable society. As of March 31, 2016, some 30,982 people have participated in 628 events.

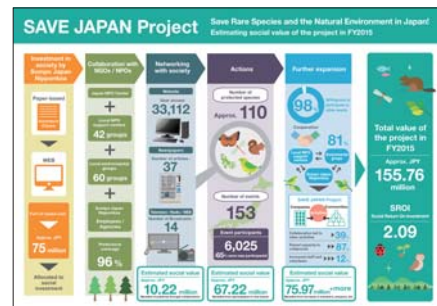
In FY2013 we began quantifying the social value of this project using SROI*1 analysis, which drives collective impact of various stakeholders that strive for sustainable solutions, to improve and expand its programs. This initiative represents the first instance in Japan of using SROI analysis in the area of biodiversity conservation. The SROI of the project in FY2015 was 2.00, calculated from a social value (total benefit) of 148.83 million yen minus costs of 74.55 million yen. The SROI significantly exceeds the value of 1, indicating that the project is effective, and it has increased from 1.12 in FY2013 and 1.76 in FY2014, showing a ripple effect over

the long term and increasing benefits of social investment.

The project received the Judges' Panel Special Award of Encouragement at the 2015 Award for Companies Promoting Experience-based Learning Activities for the Youth, presented by the MEXT.*2

*1 Social Return on Investment (SROI) is a method of quantifying the effectiveness of a project, and is calculated by dividing the social value (total benefit) an initiative produces by the cost of implementing it.

*2 Japan's Ministry of Education, Culture, Sports, Science and Technology.



TOPICS >>>

Environmental capacity building

Partnerships

The Sompo Japan Nipponkoa Environment Foundation, based on its philosophy of "raising steward of the environment," supports education, capacity building, action and research in conservation and other environmental fields with the goal of contributing to global environmental protection.

The foundation, working with the JEEF,*3 and Sompo Japan Nipponkoa, organizes a series of Public Seminars on the Environment that have attracted more than 18,500 participants since the program's start in 1993. Its CSO*4 Learning Scholarship Program, meanwhile, is an 8 month internship program for undergraduate and graduate students desiring working experience at an environmental organization. As of March 31, 2015, the program has given more than 900 students opportunities to learn about environmental issues and civil society. The foundation also helps organize an Environmental Issues Research Group with experts from educational, research, and governmental institutions. Its aim is to advance research and communication on environmental solutions by promoting good practices for addressing and adapting to climate change risks.

*3 Japan Environmental Education Forum

*4 Civil Society Organization

Moving forward

The international community is increasingly looking to insurance companies for the risk assessment expertise they can provide for advancing climate change mitigation and adaptation strategies. We will continue to contribute to sustainable development and, in turn, sustainable Group growth, by providing solutions to the segments of society most vulnerable to climate risk. In addition, we are working to reduce our carbon dioxide emissions 40% by FY2020 and 70% by 2050 (compared to 2002 levels); our target for FY2016 is a 1.0% year-over-year reduction.