



# Group Management Foundation



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# Human Resources

Worldwide, the Sampo Holdings Group employs 80,000 people who are of different nationalities, genders, and ages and have various backgrounds. We believe that changing the awareness of these employees is essential to realize “A Theme Park for Security, Health & Wellbeing.” Such change will reform our corporate culture, helping drive the transformation of our business portfolio. Through human resource strategies that effectively transform its corporate culture, the Group will grow with even greater momentum.

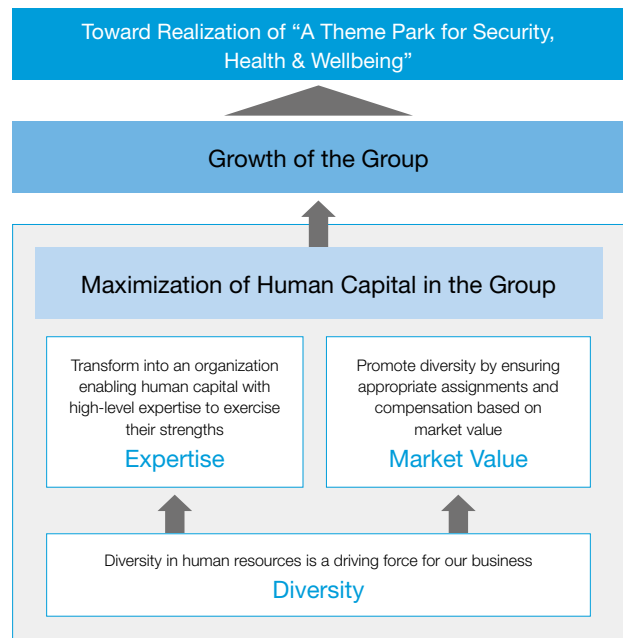
## Group Human Resource Strategy

In this era of volatility, uncertainty, complexity, and ambiguity (VUCA), it is crucial to generate new ideas without getting caught up in past practices and to make rapid decisions in regard to the challenges we face.

Given such conditions, the most important human resource strategy for the Group is to ensure that its business management benefits from the expertise and experience of a diverse 80,000-strong workforce.

The human resource strategy that we have been implementing in earnest since 2015 is laterally unifying human resource management, which we used to conduct on a country or business basis. We will become a corporate group in which—regardless of nationality, gender, experience, or age—talented personnel can contribute in a range of fields on a Group-wide basis.

To benefit from the contributions of diverse personnel, we have built a human resource platform for the Group-wide management of a variety of human resource information and systems. This effort has made all of the key positions in the Group visible, established common evaluation criteria, and made human resource information accessible through a new human resource system. The Group will utilize this platform and advanced human resource technologies to find talented personnel who can perform across organizational boundaries within the Group. We will then assign them to appropriate positions straddling countries or businesses in a timely manner. In addition, we will encourage further growth through talent



management that provides educational opportunities and extends the scope of capable employees’ work. In this way, we will become a corporate group that empowers talented personnel.

## Diversity

CSR Material Issue **5** Supporting Diversity and Inclusion in Private and Public Life

We view diversity as a management strategy that is essential for our growth. With “Diversity for Growth” as our slogan, we are focusing efforts on developing systems and a corporate culture that enable diverse employees to take maximum advantage of their particular talents and which create workplaces offering employees job satisfaction.

(For more details about the Five CSR Material Issues, please see page 69.)

## Empowerment of Women

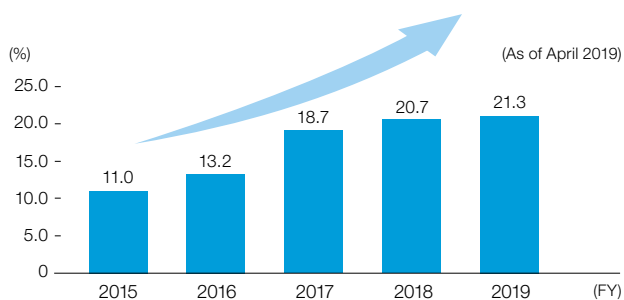
We need the contribution of female employees if we are to cater fully to customers’ wide-ranging needs. With this in mind, we aim for women to account for at least 30% of our managers by the end of fiscal 2020. Aiming to enhance the knowledge and skills of female employees and change their

mind-sets, we are conducting the Group-wide training programs for women shown in the following table. Moreover, Group companies conduct their own educational programs.

<b>Management Program for Women</b>	A program for potential candidates for executive or general manager positions that aims to cultivate the broad outlook needed for business management
<b>Leadership Academy for Women</b>	A program that focuses on the acquisition of management skills and knowledge and practical implementation in workplaces with a view to developing female leaders
<b>Role Model Channel</b>	An online channel that serves as a career development tool by having role models who represent a wide variety of age groups, positions, and divisions recount their experiences

Thanks to these programs, as of April 2019 Sampo Japan Nipponkoa Insurance has one female executive officer and 13 female general managers, while Sampo Japan Nipponkoa Himawari Life Insurance has three female executive officers and two female general managers.

**Ratio of Female Employees in Managerial Positions in the Group**  
(including major domestic Group companies and overseas consolidated subsidiaries)



Furthermore, Group CEO Kengo Sakurada participates in and is a member of the 30% Club, a global campaign to improve female representation in corporate senior management.



In recognition of a steadily increasing number of female managers and such initiatives as the establishment of the SOMPO KIDS PARK in-house day-care center for children, Sampo Japan Nipponkoa received the Grand Prize at the 3rd Working Women Empowerment Awards, hosted by Japan Productivity Center (Working Women's Empowerment Forum).

Also, Sampo Japan Nipponkoa has been designated as a Nadeshiko Brand for the second consecutive year. The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange grant this designation to listed companies that have outstanding records in the empowerment of women and which are, therefore, attractive to investors focused on medium-to-long-term enhancement of corporate value.



**Diversity of Nationality**

Our policy is to conduct discussions at meetings of the Board of Directors and Global ExCo based on global perspectives and diverse opinions. Accordingly, we have appointed a non-Japanese national with a high level of expertise to the position of director. In addition, two of the Group's executive officers are foreign nationals: John R. Charman, CEO of the Overseas Insurance and Reinsurance Business, and Nigel Frudd, chairman of Overseas M&A. Further, we are increasing personnel exchanges with overseas Group companies. In fiscal 2014, we began the Exchange Program,\* through which we assign employees of overseas Group companies to divisions in Japan. By the end of fiscal 2018, 57 such employees had benefited from the experience of working at a division in Japan while contributing to the globalization of the Group as a whole.

\* In 2019, the name was changed to the "Global Assignment Program."

**Empowerment of Persons with Disabilities**

The Sampo Holdings Group is promoting the employment of persons with disabilities with the aim of stably providing opportunities to such persons to realize their talents and gain a sense of fulfillment through work. To further promote the steady employment of persons with disabilities throughout our organization and create an environment where they can work with vitality, in April 2018 we established SOMPO Challenged Inc., which has received certification as a special subsidiary.



Persons with disabilities working at head office

**Creation of an Environment That Respects Identity**

To build a corporate organization full of vitality, we have made it possible for senior employees who have grown with the Group to continue working for as long as they can and want to do so through the introduction of a system for rehiring employees after they reach retirement age. Also, we are continuing initiatives for LGBT individuals so that all employees feel motivated and are able to work with dignity as individuals. We are creating an environment in which everyone can work comfortably through the establishment at our head office of changing rooms that anyone can use and gender-free restrooms.



## Health and Productivity Management\*1 Initiatives

We are promoting health and productivity management based on the belief that the health of employees and their families is an important driver of our efforts to “contribute to the security, health, and wellbeing of our customers and society as a whole by providing insurance and related services of the highest quality possible.” Accordingly, all Group companies are advancing a variety of initiatives.

### (1) Maintaining and promoting employee health—defensive health and productivity management

Group companies implement measures to maintain and promote the health of each employee based on their state of health.

- With respect to employees who have a high risk of developing lifestyle diseases, we use an app to conduct ongoing follow-ups with health insurance associations.
- A portal provided by health insurance associations enables each employee to manage their health checkup results, access information on the health risks they face, and receive advice on improving their health.
- As a countermeasure for mental health issues, doctors and mental health specialists interview employees periodically.

### (2) Enabling employees to continue working healthily and with gusto—health and productivity management for remaining positive

We believe that creating a vibrant working environment helps maintain employees’ physical and mental health, increases productivity, and sustains corporate growth. For this reason, Group companies are emphasizing the realization of appropriate working hours, productivity enhancement, and indicators focused on presenteeism.\*2

- Periodically, we measure the level of activity of employees and organizations. We analyze the results of stress and performance checks and physical data on lifestyle and the risk of developing lifestyle diseases, identify characteristics, and then use our findings when considering measures.



A meeting space where employees can exercise while at the office to stay healthy and refresh themselves

- We have built systems to ensure the proactive implementation of stress checks designed to prevent the decline of employees’ mental health. Also, we systematically implement “line care,” whereby managers take steps to improve workplace environments from a mental health perspective and make themselves available to talk about mental health with their subordinates.
- To heighten health awareness, we conduct two-day *kurort*\*3 programs for all employees.

In 2019, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange jointly selected Sampo Holdings as a “Health & Productivity Stock,” a designation that recognizes companies with outstanding health and productivity management. At the same time, eight Group companies were certified as “Outstanding Enterprises Engaging in Efforts for Health and Productivity Management” in the large enterprise category (White 500) of a system jointly conducted by METI and Nippon Kenko Kaigi. In partnership with health insurance associations, the Company will popularize health and productivity management among Group and client companies by distributing information internally and externally on the ongoing benefits of its initiatives while verifying and revising them.

\*1 Registered trademark of the incorporated nonprofit organization Workshop for the Management of Health on Company and Employee

\*2 Working despite mental or physical health issues, which can result in losses due to lower productivity

\*3 Health programs held at resorts focused on the natural environment or hot springs

## Work-Style Innovation

On a Group-wide basis, we are promoting work-style innovation so that employees use their time more productively and make effective use of the time this frees up to fully realize their respective talents.

Aiming for more flexible work styles, we are promoting the use of a shift work system and telecommuting by removing restrictions on times and places and by issuing messages from the senior management team and taking other measures to heighten awareness of work-style innovation via a portal and in-house network broadcasts. In business management and planning divisions, we are innovating work styles to reflect the characteristics of operations and introducing a discretionary work system. Further, we are establishing a range of different systems so that each employee can choose which work style fits best with their other commitments, such as child-rearing or nursing a parent.

By introducing IT, we are continuously initiating new work styles tailored to the particular requirements of each division’s frontline operations. For example, we are virtualizing desktops, using advanced videoconferencing, and incorporating tablet computers, smartphones, and laptops into operations based on the compatibility of each device with certain types of work. In addition, Sampo Japan Nipponkoa is introducing robotic process automation.

Also, as part of our work-life balance drive, we offer various types of leave to encourage employees to use all of their annual paid vacations. Specifically, employees can avail of special consecutive leave, designated leave, legally required leave, and refreshment leave as well as paid leave to participate in voluntary activities.

Through the aforementioned initiatives, we aim to increase each employee’s engagement with their work and thereby realize value creation at an advanced level.

## Development of Globally Competent Leaders

To develop human resources capable of leading its global business management, the Group provides training for selected employees from three different employee levels. For young employees, we provide the Overseas Short-Term Training Program, MBA programs in Japan and overseas, and

the in-house SOMPO Global University, which operates in partnership with the National University of Singapore Business School. Further, we established the Global Leadership Program for mid-level employees in fiscal 2017 and the Global Executive Program for senior employees in fiscal 2018.

### SOMPO Global University (for Young Employees)

Our in-house university enables employees to acquire management knowledge and experience working collaboratively with a range of individuals. The program not only includes classroom training but also emphasizes practical training. For example, the Action Learning Project tasks trainees to propose solutions to challenges given by CEOs from around the world. From its establishment in 2012 to fiscal 2019, 162 employees from 17 countries participated in the program. On a Group-wide basis, we are fostering globally competent personnel who, regardless of nationality, have broadened their outlook through discussions with various peers and acquired fundamental business management knowledge.



SOMPO Global University's class of 2019

### Global Leadership Program (for Mid-Level Employees)

Through such activities as a lecture delivered by the Group CEO, this training program gives candidates for management positions a concrete sense of true leadership and a more expansive outlook. Themed on "Changing Behavior" and focused on practical training, fiscal 2018's program asked trainees to set targets for their departments in light of broader outlooks and take measures accordingly. A total of 23 employees from eight countries participated in this program, which we conducted on a global basis.



A Global Leadership Program training session held in 2019

### Global Executive Program (for Senior-Level Employees)

This program provides the Group CEO and other members of the senior management team opportunities to communicate their philosophies to candidates for senior management positions. These encounters encourage trainees to mull over their aspirations and beliefs based on the differences that there may be between themselves and senior executives. The program also includes opportunities to experience Japanese culture. Our goal is to foster cosmopolitan, global leaders who are able to make diversity an advantage. To date, 24 employees from eight countries have taken part in the program.



Global Executive Program 2019 participants

As well as training selected personnel according to their position, we have been developing Japanese global leaders through the Sompo International Global Trainee Program since fiscal 2018. This program selects talented personnel engaged in specialized work in Japan and assigns them to specific positions in Sompo International's highly specialized operations. Lasting three years, in principle, the program provides trainees with an opportunity to develop their expertise even further by

giving them the same duties, responsibilities, and authority as local employees. The program dispatched 13 employees in fiscal 2018 and seven in the current fiscal year to divisions engaged in underwriting and other specialized areas. We plan to continue such assignments aimed at heightening employees' expertise. In this way, by letting employees experience different work environments, we will develop strong Japanese global leaders who have backgrounds in specialized areas.

# Digital Technologies

By promoting the development of new products and services enabled by AI, IoT, and other leading-edge digital technologies, and by preventing and predicting accidents, disasters, and illnesses with digital technologies and data, we aim to create a society that realizes security, health, and wellbeing, thereby ensuring insurance is no longer required.

## Four Important Tasks in Digital Technology Utilization

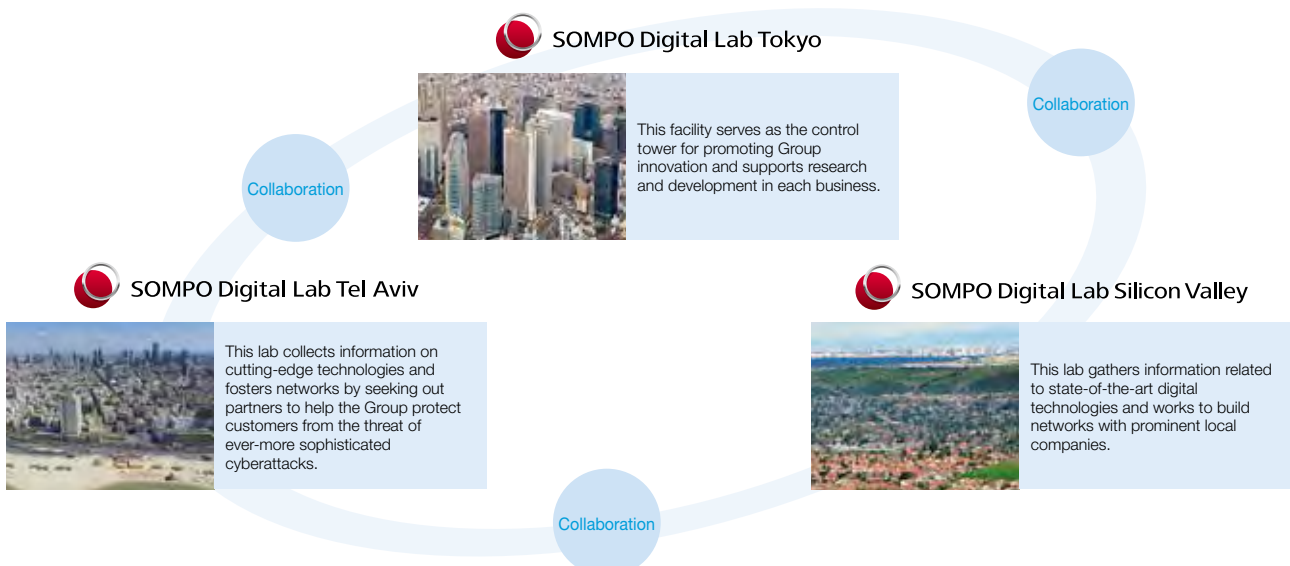
As digital technologies evolve exponentially, the Group is incorporating them into operations in an intensive, transformative manner based on a digital strategy. Given that the evolution of digital technologies is significantly affecting not only the business processes of insurance companies but also their customers, business models, and competitive environments, we are concentrating on the four tasks listed on the right.

<b>1. Increase efficiency in all business segments</b>
Utilize AI and other new technologies to enhance the productivity and efficiency of work previously performed manually
<b>2. Use digital technologies to transform customer touchpoints</b>
Develop products and services that enhance customer experiences by using IoT and sensors
<b>3. Market to digital natives</b>
Develop products and services for the young generation familiar with digital technologies
<b>4. Evolve new business models</b>
Build new business models based on ideas and technologies that break completely with existing business fields

## Initiative Results

We are actively conducting proof-of-concept (PoC) tests regarding digital technologies, and the number of commercial services is increasing every year. In fiscal 2018, we increased work efficiency and the quality of customer services by extending the application of AI in departments that are in contact with customers, such as call centers and claims departments. Further, through the use of AI to automate and advance insurance underwriting, we offered many customers optimal

policies more efficiently. Also, we concentrated efforts on using IoT devices and the Internet to provide products and services that enhance customer experiences. Other initiatives included the utilization of LINE and Amazon smart speakers to provide voice recognition-based quotations for overseas travel insurance and the launching of on-demand insurance through an alliance with a Silicon Valley start-up.



## Initiatives Aimed at Realizing “A Theme Park for Security, Health & Wellbeing”

### Participating in Israel's EcoMotion Mobility Community

With the aim of focusing on mobility to enhance the experiences of Group customers, SOMPO Digital Lab Tel Aviv became a gold partner of EcoMotion,<sup>\*1</sup> the largest community in Israel's mobility industry. We then hosted the SOMPO Challenge Competition,<sup>\*2</sup> themed on mobility and the reduction of driving accidents involving the elderly.

After a rigorous examination of entries from 50 companies, ContinUse Biometrics Ltd. (CEO: Asher Polani) was selected as the winning start-up. The company has developed non-touch sensing technology that detects any decrease in physical and cognitive capabilities. The winner of the special prize was Mobileye (Director of APAC & Africa: Nimrod Dor). SOMPO Digital Lab Tel Aviv plans to begin PoC tests with ContinUse Biometrics and Mobileye. By using Israel's ecosystem community to actively access and introduce the latest digital technologies, we will continue providing high-quality services that contribute to security, health, and wellbeing.

<sup>\*1</sup> Israel's largest mobility community, comprising 8,000 individual members from the mobility industry and more than 600 start-ups

<sup>\*2</sup> A pitch event at which Israeli start-ups demonstrated how their original technologies have the potential to solve issues



Representatives of start-ups and the Sompo Holdings Group at the award ceremony

## Topics

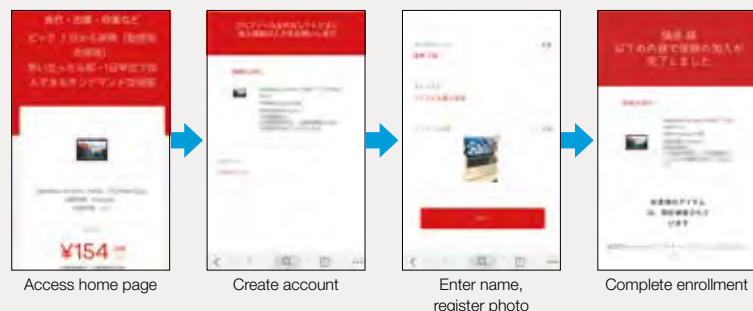
### Adoption of AI for the Setting of International Cargo Insurance Policies

International cargo insurance provides compensation if cargo is damaged when being transported by sea or air during global trade operations. Until now, due to the level of specialized knowledge called for, employees with expertise in this area have set insurance policies for international cargo. Consequently, setting optimal insurance policies that reflect client needs took a certain amount of time. We have addressed this issue by developing a system that uses proprietary algorithm analysis to estimate accident probability and predict incurred losses in the event of accidents and which mechanizes and automates a series of tasks ranging from optimal policy setting and premium calculation through to quotation submission. In developing this system, we had AI perform machine learning using data from approximately 8 million cargo insurance policies previously written by us. From autumn 2019, employees will be able to set policies and calculate premiums online 24 hours a day by using tablet computers or smartphones to access the system. Further, plans call for introducing the system to Sompo Japan Nipponkoa agencies nationwide during fiscal 2020.

### Launch of On-Demand Insurance

The evolution of digital technologies and the spread of smartphones in recent years have made it possible to purchase a variety of products and services via smartphones. As a result, the insurance industry is seeing the emergence of demand for insurance products that customers can conveniently enroll in through smartphones as well as for enrollment in insurance that covers specific items and specific periods. In collaboration with Silicon Valley start-up Tröv, Inc., we began offering a product that enables customers to use smartphones for convenient online enrollment in insurance that covers their important possessions for the number of days required. Without being restricted by conventional approaches to insurance, the Group will continue providing insurance in new formats that reflect customers' lifestyles and needs.

On-demand insurance enrollment process





# Enterprise Risk Management (ERM)

Through appropriate management of increasingly diverse and complex risks, we will support our transformation into “A Theme Park for Security, Health & Wellbeing.” At the same time, we will enhance corporate value and contribute to society.

## ERM Supporting the Realization of “A Theme Park for Security, Health & Wellbeing”

### 1. ERM as a “Management Compass”

In an era of volatility, uncertainty, complexity, and ambiguity (VUCA), risk management’s role no longer simply entails taking measures to avoid loss. Increasingly, risk management acts as a “navigator” that is close to the front lines and guides the Group in the right direction from the viewpoint of reducing opportunity loss.

Risk management’s role can be likened to a sophisticated compass used in a voyage across rough, unpredictable seas. In other words, just as setting the best course requires correct understanding of the vessel’s current position, any dangers on the horizon, and the optimal direction in which to sail, ERM calls for understanding the Group’s financial position, accurately identifying the risks that need to be addressed, and moving forward with countermeasures.

Strongly focused on Group-wide transformation, the Sampo Holdings Group will realize “A Theme Park for Security, Health & Wellbeing.” Moreover, in the overseas insurance business, Sampo International will establish a truly integrated global platform. To support our transformation into a unique, progressive group, we are further evolving ERM beyond the confines of the insurance business.

### 2. Development of a Group-wide ERM Culture

Frontline operations must be able to respond flexibly and promptly to environmental changes. Therefore, it is important to develop a deeply rooted risk management culture throughout our organization so that every personnel can make decisions based on common criteria.

To ensure that every Group executive and employee understands ERM and acts in unison, we have formulated the ERM Vision, which explains the philosophy underpinning ERM as well as the state which ERM aims for. Based on the vision, we will encourage personnel in frontline operations to take concrete decisions and actions from the viewpoints of improving return on risk (ROR) and maintaining financial soundness (the economic solvency ratio (ESR)).

### ERM Vision

- ◆ Sampo’s ERM aims to support both enhancement of corporate value and contribution to society through appropriate risk management, achieving a mutually-beneficial relationship with all stakeholders.
- ◆ To this end, we:
  - (1) identify and control changing and diversifying risks appropriately to maintain Group’s financial soundness;
  - (2) provide services of the highest quality possible to our customers at fair and proper prices, and underwrite risks at appropriate premiums; and
  - (3) strive to construct an optimal business portfolio to realize “A Theme Park for Security, Health & Wellbeing.”
- ◆ Every employee and officer within the Group seeks to practice ERM up to the point that Sampo’s ERM becomes evaluated as No.1 in the world.

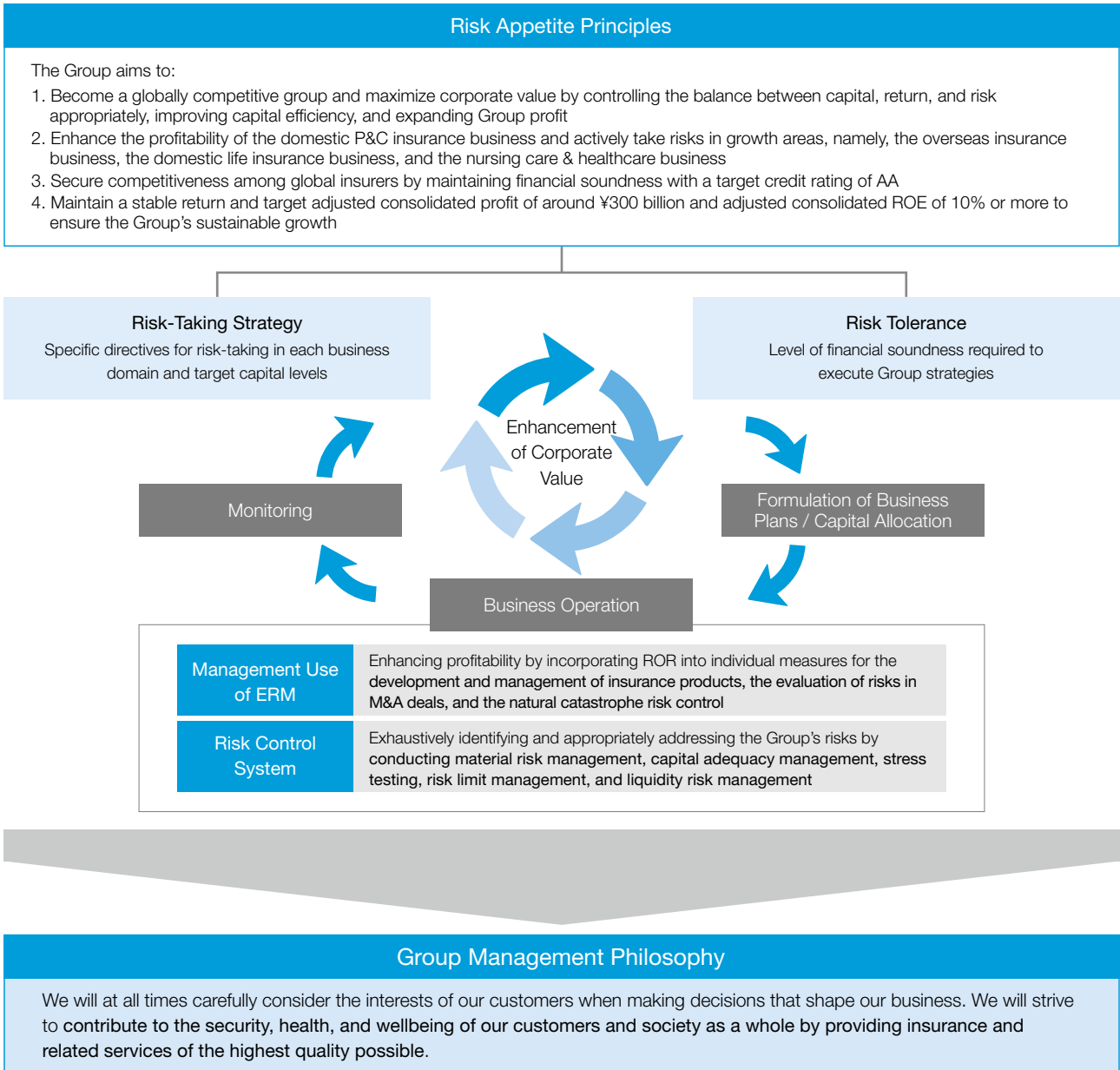
## ERM Implementation

We are embedding tangible, practical ERM measures into all levels of our organization, from the pricing of insurance products in frontline operations through to important management decisions that affect the strategies of businesses.

Further, the Group has developed a robust risk control system that incorporates both qualitative and quantitative elements to minimize unforeseen losses in its operations.



## The ERM Framework of Sampo Holdings



### 1. Management Use of ERM

#### (1) Insurance Product Development and Management

While taking into account the characteristics of each insurance business, we verify ROR when setting insurance premiums in product development and when managing the profitability of products after launch. We use ROR not only in assessing and managing the profits of each product but also in establishing sales strategies and marketing budgets.

#### (2) Evaluation of Risks in M&A Deals

We decide on M&A deals and other new business investments after measuring investment effects and performing thoroughgoing due diligence. In this process, we also verify the

appropriateness of investments from an ERM perspective, taking into consideration the impact of investment implementation on Group-wide capital efficiency (return on equity (ROE)) financial soundness (ESR), and ROR.

#### (3) Natural Catastrophe Risk Management

We appropriately manage natural catastrophe risks by keeping them within tolerance levels, which are established in light of capital and profits. Further, we incorporate the latest knowledge into in-house models and continuously upgrade them. At the same time, we employ these models in reinsurance strategies and other business management decisions.

## 2. Risk Control System

### (1) Material Risk Management

We exhaustively identify and assess the risks that businesses face, and define risks that could have a significant impact on businesses as Material Risks. The Group determines the adequacy of countermeasures for Material Risks and continuously monitors these risks. If measures are found to be inadequate, we appoint person responsible and implement countermeasures.

Further, the Group defines emerging risks as those that are not currently material but which, due to environmental changes, could become material and have a significant impact on the Group. We identify the precursors of risks becoming significant and manage such risks accordingly. Identifying emerging risks is important not only as a way of mitigating losses but also in terms of the development of new insurance products and services to realize business opportunities. For these reasons, we monitor, research, and study emerging risks on a Group-wide basis.

### (2) Capital Adequacy Management

We quantify the various types of risk that we face by using value at risk (VaR) as a unified risk indicator. If needed, we take management measures to ensure that capital is maintained at an adequate level relative to risks.

### (3) Stress Testing

To accurately identify and manage events that could significantly affect its business management, the Group conducts scenario stress testing, reverse stress testing, and sensitivity analyses on a Group-wide basis. We analyze the degree to which such events would affect capital and risk and take countermeasures if required.

Scenario Stress Testing	We evaluate how significantly large-scale natural disasters, financial market disruptions, and other stress scenarios could affect business management and verify capital adequacy as well as the effectiveness of risk mitigation measures. Moreover, we regularly verify the validity of stress scenarios to ensure that we can respond appropriately to environmental changes.
Reverse Stress Testing	We identify specific events that breach risk tolerance levels and prepare appropriate actions in advance.
Sensitivity Analyses	We identify the impact on capital and risks of fluctuations in the primary causes of risks. Also, we verify the validity of in-house models by comparing their projections with the previous impacts of fluctuations on actual business performance.

### (4) Risk Limit Management

We have established tolerance levels and reasonable limits on a Group-wide basis for credit risks, reinsurance counterparty risks, and overseas natural catastrophe risks to avoid huge losses arising from the occurrence of specific events. We manage the risks to ensure that they do not exceed these limits.

### (5) Liquidity Risk Management

In addition to projecting cash needed for day-to-day operations, we project the biggest cash outflows that could result from such events as large-scale natural disasters. We then conduct management to ensure we have an adequate supply of liquid assets to meet such outflows.

## Topics

### 5th Global CRO Assembly

Once a year, the Group assembles persons responsible for ERM and compliance from its main Group companies with a view to encouraging interaction and thereby enhancing ERM and compliance. To this end, participants hold discussions and share progressive examples from their Group companies with respect to Group-wide and individual issues.

With "Beyond Boundaries" as its theme, the fifth Assembly focused on informing participants about the need to take measures that transcend existing frameworks. In addition, the Assembly provided opportunities for everyone to participate in discussions through workshops and presentations.



Participants included chief risk officers and those in charge of ERM and compliance from Group companies in Japan and overseas



Lively discussions at a workshop

# Initiatives Addressing Social Issues

The Group CSR Vision calls on us to contribute to security, health, and wellbeing by providing insurance and related services of the highest quality possible. Moreover, the goals of these efforts are to address social issues and help realize a sustainable society. In accordance with this vision, we are advancing a range of initiatives.

## Group CSR Vision

We, the Sampo Holdings Group, will positively engage our stakeholders in forward-looking dialogue, respect international standards and codes of conduct, and address environmental issues of climate change, biodiversity, and social issues of human rights and diversity in the course of our business operations in a transparent, fair, and open manner.

By constantly maintaining a long-term outlook, and by providing services and products that contribute to security, health, and wellbeing, we will strive as a solution provider to promote the realization of a resilient and sustainable society.

Based on the Group CSR Vision, we established the following Three Key Strengths to advance its CSR initiatives. Furthermore, the Group identified the Five CSR Material Issues that it should tackle.

## Our Key Strengths

- 1 Developing and providing innovative products and services using financial expertise and digital technologies to provide innovative solutions for social issues.
- 2 Promoting the development of advanced human skills by fostering partnerships with stakeholders representative of broad sectors of civil society.
- 3 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.

## Five Material Issues

1 Providing Solutions for Disaster Preparedness

Provide products and services to help improve disaster resilience, and collaborate with stakeholders on realizing a safer, more secure world.

2 Contributing to Health and Welfare

Provide high-quality nursing care and healthcare services, and implement projects that promote health and welfare with the aim of creating a society where all people are able to lead a fulfilling life.

3 Promoting the Manageability of Global Environmental Issues

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

4 Empowering Community and Society

Through community outreach and initiatives in culture and the arts, improve the lives of people in local communities and become their most trusted corporate citizen.

5 Supporting Diversity and Inclusion in Private and Public Life

Respect the human rights and individuality of all stakeholders, supporting them in their pursuit of professional and personal development.

Our Vision

## Toward the Realization of a Sustainable Society

### Climate Change Initiatives

With the adoption of the Paris Agreement and the establishment of the Sustainable Development Goals (SDGs) in 2015, there are growing expectations for corporate action on climate change. In response, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Under this initiative, we are carrying out various measures to address climate change and promoting highly transparent information disclosure, in order to fulfill our responsibility to bestow a hopeful future upon the generations to come.



# Main Initiatives in Response to Climate Change Risks and Opportunities

## Governance and Risk Management

The Company has risk management systems based on the Group Basic Policy on ERM, established by the Board of Directors.

Under these systems, risks that could have a major effect on the Group are defined as “material risks.” After comprehensively identifying and assessing the risks inherent in our businesses, we regularly report on the status of risk management to the Board of Directors. With respect to climate change, we regard the occurrence of unexpected natural disasters as well as reputational damage associated with the transition to a decarbonized society as material risks in the environmental, social, and governance (ESG) area. Responsibility for implementing countermeasures for these risks lies with the Group’s executives.

We conduct stress tests for such risks as windstorms. We quantitatively assess the impact of stress scenarios that have a significant impact on management and evaluate the adequacy of capital and the effectiveness of risk mitigation measures. Furthermore, we are currently conducting large-scale analyses that use meteorological and climatic big data on typhoons and heavy rains. This entails quantifying changes in the average trends of disasters as well as quantifying trends in the occurrence of extreme weather events in climates undergoing a temperature increase between 2°C and 4°C. We then incorporate the findings into typhoon and flood assessment models and conduct quantitative analyses of the effect on the insurance business.

## Strategies and Main Initiatives

Given the potential impact of climate change on its business strategies, the Group is taking various initiatives focused on climate change.

### Climate-Related Risks and Opportunities

#### (1) Risks Associated with Increasing Natural Catastrophes

A rise in natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results, which may make it difficult to provide stable insurance.

#### (2) Risks and Opportunities Associated with the Transition to a Decarbonized Society

Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized society could result in structural changes to industries. Such an outcome could lead to changes in insurance

needs and the impairment of stock value and other investment assets, thereby adversely affecting the Group’s future performance or financial position.

On the other hand, we believe that structural changes to industries will increase business opportunities by creating new insurance needs and markets.

#### (3) Expansion of the Risk Consulting Business

We expect that the growing need of companies and local governments to take measures in response to climate-related risks will expand not only the insurance business but also the risk consulting business.

### Main Initiatives

#### ● Enhancement of Natural Catastrophe Risk Models and Analytic Technology

Since 2018, Sompo Risk Management has been participating in the Social Implementation Program on Climate Change Adaptation Technology of the Ministry of Education, Culture, Sports, Science and Technology (SI-CAT). The Group aims to upgrade its natural catastrophe risk models, enhance its analytic technology, and accumulate know-how by utilizing a database that projects the climates that would result from global warming with temperature increases of 2°C and 4°C, conducting research on the consequences such a temperature increase, and collaborating with research institutions.

#### ● The Group’s Council for CSR Promotion

This council discusses environmental, social, and governance issues, including the risk of reputational damage accompanying the transition to a decarbonized society.

Chaired by the Group Chief Brand Officer (CBO), the council comprises executives from respective Group companies.

#### ● Disclosure Enhancement

The Group has been a member of the PSI-TCFD Insurer Pilot Group of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2018. We are enhancing disclosure in light of the recommendations of the TCFD.

#### ● Stakeholder Engagement

Aiming to improve its measures that address social issues, the Group exercises leadership by creating opportunities for dialogue with diverse stakeholders—including experts and civil organizations—and by participating in initiatives related to social issues.

We are taking steps to help society become sustainable based on the belief that collaboration and co-creation have a significant impact on issues such as climate change that are being addressed by many different organizations.

● **Natural Disaster Damage Prediction**

Sompo Japan Nipponkoa Insurance aims to use various types of data related to regional disaster prevention—such as meteorological and building data—in combination with AI technology to develop a service that enables the accurate prediction and assessment of damage to individual blocks before, during, and after floods, earthquakes, and other natural disasters.

● **Weather Index Insurance in Southeast Asia**

In Southeast Asia, agriculture is the main industry, but the region's agriculture is vulnerable to climate change. With a view to reducing the risks associated with agricultural businesses in the region, we have been offering Weather Index Insurance since 2010. This insurance pays fixed insurance claims in the event that measurable weather conditions, such as temperature, wind, and precipitation, satisfy particular previously established requirements. Currently, we provide Weather Index Insurance through *AgriSompo*, an integrated global underwriting platform for agricultural businesses.

The product has been recognized as meeting the requirement for membership to the Business Call to Action (BCtA) initiative, which is led by the United Nations Development Programme (UNDP), with the aim of promoting the establishment of business models that combine commercial activities and sustainable development.

● **Regional Resilience through Insurance for Local Governments**

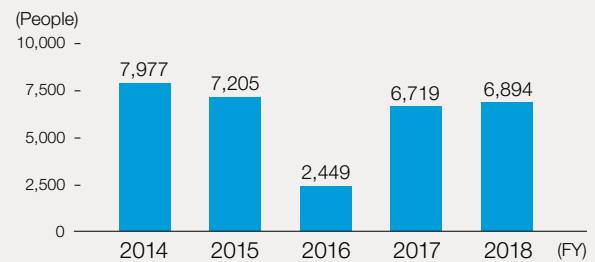
In response to a series of floods caused by heavy rains and typhoons, Sompo Japan Nipponkoa has launched

Disaster Prevention/Reduction Insurance, which compensates local governments for costs arising from evacuation in natural disasters. In this way, we help local governments achieve rapid initial responses and contribute to the peace of mind and safety of local communities.

● **Raising Awareness among People Regarding Environmental Issues**

The Group is raising interest in and awareness of environmental issues, including climate change, among people, thereby increasing the number of persons capable of exercising autonomy in addressing such issues. In this way, we are ensuring a sustained contribution to the resolution of environmental issues. Also, the Group collaborates with research and government institutions in research on environmental issues and shares findings with the public.

**Number of Participants in Environmental Conservation Awareness Activities**



Notes:  
 1. Figures are the total of the number of people who participated in the SAVE JAPAN Project, which is a program for preserving rare species in Japan, and in Open Lectures on the Environment as well as of the number of people who completed the CSO Learning Scholarship Program, which provides an internship program for university and graduate program students in environmental nonprofit and nongovernmental organizations.  
 2. The fiscal 2016 SAVE JAPAN Project was implemented between October 2016 and March 2017. The number of people for fiscal 2016 is the number of participants in the project during this period.

**Metrics and Targets**

We have established key performance indicators (KPIs) for CSR initiatives to enhance and check their effectiveness. In relation to the environment, we are conducting initiatives based on the following KPIs.

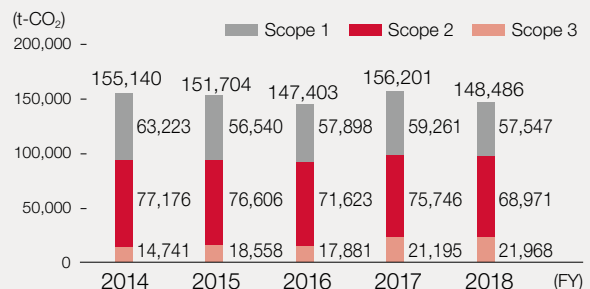
- (1) Development and provision of products and services that contribute to climate change adaptation and mitigation
- (2) Participants in environmental conservation awareness and educational opportunities in collaboration with civil organizations
- (3) CO<sub>2</sub> emissions
- (4) Electricity consumption
- (5) Paper use

Further, in fiscal 2018 we set reductions in greenhouse gas (GHG) emissions versus fiscal 2017 levels of 21% by 2030 and 51% by 2050 as medium-to-long-term targets. To these ends, we are taking steps to mitigate climate change.

Moreover, we are implementing these measures with a view to acquiring certification under the Science Based Targets initiative, which promotes reductions in GHG

emissions that will enable the realization of the Paris Agreement's long-term goals.

**Greenhouse Gas (GHG) Emissions (Scope 1–3)**



Notes:  
 1. Figures are the total of Scope 1 (direct emissions due to use of gasoline, etc.), Scope 2 (indirect emissions from electricity and other energy sources), and Scope 3 (indirect emissions across entire value chains, including transport and business trips). The coverage of the survey is as follows.  
 Fiscal 2014: Sompo Japan Nipponkoa Insurance Inc. and its consolidated subsidiaries  
 Fiscal 2015: The Company's main consolidated subsidiaries and other subsidiaries  
 Fiscal 2016–fiscal 2018: The Company and its main consolidated subsidiaries  
 2. Since fiscal 2012, the Group has received an annual Assurance Statement from a third-party certification organization.  
 3. Fiscal 2017 emissions have been recalculated using fiscal 2018 calculation methodologies.