

2021

Responsible Investment Activities Report

- As a responsible asset owner -



October 2021

Empowering your future



Achieving “Well-being” Through Responsible Investment

Our view of responsible investment

- What is our mission? It is to ensure long-term “stability” for customers through life insurance and to ensure the prompt and certain payment of insurance claims and other benefits by investing and managing the insurance premiums and other funds received from customers through asset management to generate stable and secure returns from a long-term perspective.
- Simultaneously, contribution to “solving social issues” through investment activities for more than ¥32 trillion in assets is the practice of our purpose “contributing to the advancement of social and public welfare”, which has been a pillar of our management philosophy for many years.
- While key areas related to “solving social issues” through investment activities have changed with the times, such as with post-war industry reconstruction and the supply of growth capital, our mission has been to meet the expectations of the customers who have given us their mandate and we believe that this is what underlies our approach to “responsible investment.”

Current Recognition: We must urgently respond to social issues

- So, what is the current situation? Issues facing Japan and the world are becoming increasingly complex and serious such as the growing intensity of natural disasters, human rights problems that have become evident in the supply chain, and work-style reforms due to COVID-19. We feel a strong sense of crisis and believe that it is our mission to take action. It is important to take action in a way that promotes investment that will solve social issues, while also ensuring stable returns and also engaging in other activities such as dialogue with investees. We believe these initiatives will lead to a better life (= well-being) for every individual.

Achieving “well-being” with 2050 net zero

- In terms of global environmental issues, ours and the next generation’s “well-being” will not be possible unless we realize a sustainable planet. We recognize this as being the number one issue for management from the perspective of fulfilling our responsibilities to customers over the next 50 years or more.
- To be specific, we announced our aim to achieve net-zero greenhouse gas emissions by 2050 in April this year and set and disclosed interim 2030 reduction targets for the asset portfolio in June. We are on a long journey until 2050 and will take steady initiatives without wavering in our resolve, mainly through dialogue and finance.

The importance of collaboration with all of our stakeholders

- There has been a strong sense within the asset management sector recently that it is important to collaborate with companies and organizations outside the Group. Collaboration with investees is obviously important, but vector alignment, cooperation and division of duties through public and private sector collaboration, and participation in global initiatives have also been growing in importance to solve social issues including global warming. We believe this approach will solve social issues over the long term.
- Many such issues must be overcome to achieve well-being. We will take on various challenges, resolutely promoting collaboration with all our stakeholders with the aim of being an “indispensable” insurance company for society.



Iwao Matsumoto,
Managing Executive Officer

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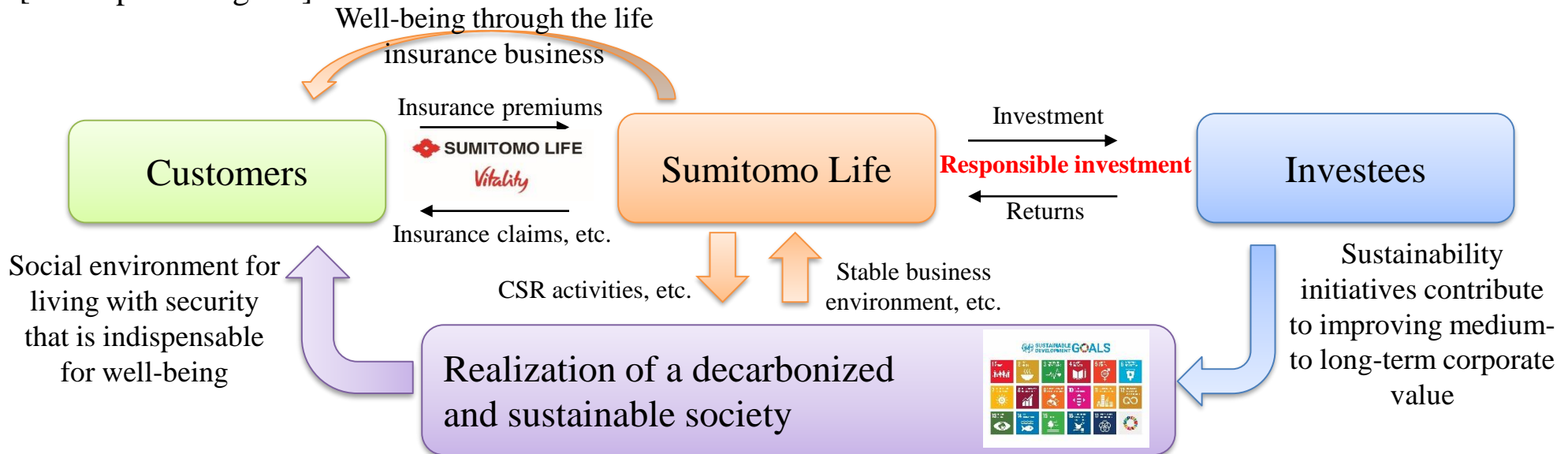
1. Responsible Investment (Overall)

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Basic Approach to Responsible Investment

- ✓ Sumitomo Life is implementing initiatives needed to contribute to a better life (= well-being) for every individual for the realization of a society of affluence, vitality and longevity from both the perspective as a life insurance company (e.g., provision of the SUMITOMO LIFE Vitality Shared-Value Insurance) and as an institutional investor.
- ✓ As an institutional investor, we conduct asset management in a way that can ensure stable and secure returns to enable prompt and certain payment of future insurance claims and other benefits. To achieve this, we also conduct asset management (responsible investment) that considers medium- to long-term sustainability, including ESG (Environment, Society, Governance).
- ✓ Specifically, we consider the response to climate change to be an important and urgent social issue. We recognize that there will be enormous impact on the future lives of our customers unless we promote responses that realize a decarbonized society, so we are aiming for net-zero greenhouse gas (GHG) emissions from the asset portfolio by 2050.
- ✓ Based on our belief that the realization of a sustainable planet is indispensable for ours and the next generation's "well-being", we aim to both contribute to the realization of a decarbonized and sustainable society and enhance medium- to long-term investment returns through the promotion of responsible investment.

[Conceptual diagram]










Basic Principles on Responsible Investment

✓ We set the following basic principles and social issues to be focused to promote responsible investment.

Basic Principles on Responsible Investment

1	The Company shall systematically consider non-financial information including ESG factors and make investment decisions based on the characteristics of each asset.
2-1	In stewardship activities, the Company shall accurately assess the conditions (including sustainability) of investees, seek to share mutual understanding with them through dialogue and exercising voting rights, encourage them to improve problems, and promote their medium- to long-term corporate value improvement and sustainable growth.
2-2	The Company shall request investees that it engages in dialogue with to appropriately disclose information on ESG issues.
2-3	The Company shall establish guidelines that clarify the criteria for exercising voting rights and other related matters, and exercise voting rights accordingly.
2-4	The Company shall perform stewardship activities in accordance with the Sumitomo Life Group Code of Conduct, the Conflict of Interest Management Policy, and the Conflict of Interest Management Regulations, while complying with laws, regulations and provisions related to the management of conflicts of interest.
3	In addition to individual dialogue, the Company shall collaborate with other institutional investors to resolve globally important ESG issues such as climate change response through participation in Japanese and overseas initiatives. The Company shall also endeavor to promote responsible investment by actively participating in various meetings held by such initiatives, etc.
4	The Company shall publicly disclose information on its efforts for responsible investment (including the disclosure items stipulated by the Stewardship Code) via its website and by other means, and regularly update the information.
5	To appropriately implement the PDCA cycle, the Company shall set up the “Responsible Investment Committee” and establish other structures as necessary, while aiming to develop human resources with necessary skills and knowledge.

Social Issues to be Focused on Through Responsible Investment

Climate change response	An urgent issue for the whole world and an important issue that could cause damage to the asset value. We will encourage the transition to a carbon-free society through responsible investment.	 
Health and welfare / Aging population	As a life insurance company, we will address the issues of health and welfare and aging population, including COVID-19 response.	
Economic growth (including diversity)	As a major institutional investor in Japan, we will promote the medium- to long-term corporate value improvement of investees through dialogue and contribute to the growth of the Japanese economy as a whole, including regional economies. We will also address diversity, including the active participation of women, as an important issue.	 
Development of social infrastructure	As an institutional investor who manages assets over the medium- to long-term, we will provide medium- to long-term funding for the development of social infrastructure.	 

Responsible Investment Activities

- ✓ Responsible investment is asset management that considers sustainability, which we implement based on the Principles for Responsible Investment (PRI). Specifically, this comprises (i) ESG investment and (ii) stewardship activities, together with our focus on information disclosure and collaboration, etc. with entities outside the Group.

Principles for Responsible Investment

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Our Activities

ESG Investment (P.11~)

- Investments that consider non-financial information including ESG factors in addition to financial information
- ① ESG integration : Incorporate an ESG perspective in the investment process
- ② Thematic investing : Investments aimed at resolving ESG issues
- ③ Negative screening : Exclude specific industries and uses of proceeds from the scope of investments.

Stewardship activities (P.18~)

- Constructive and purposeful dialogue with investees and activities relating to the exercise of voting rights from the perspective of the medium- to long-term corporate value improvement of investees.

Information disclosure, etc. (p. 35-)

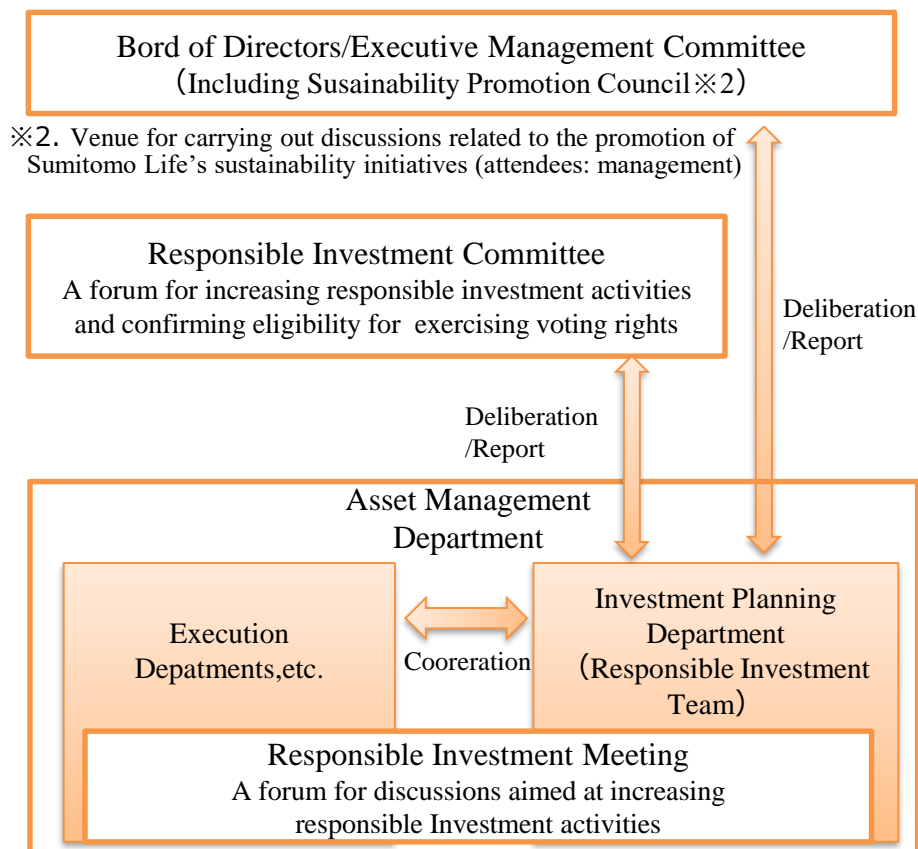
- Publish the Responsible Investment Activities Report and various news releases
- Disclosure in line with the TCFD recommendations (GHG emissions from the asset portfolio, etc.)
- Participation in international initiatives and activities, etc.

Responsible Investment Structure

- ✓ We enhanced the structure for promoting responsible investment such as with the reorganization of the Responsible Investment Committee*1 in fiscal 2020.
- ✓ The Responsible Investment Committee, in which external members comprise the majority, in principle, meets four times a year. It conducts wide-ranging discussion of responsible investment activities including the management of conflicts of interest in exercising voting rights.

*1: Reorganized from the former Third-party Committee Regarding Stewardship Activities

Organizational Structure



Activity

Responsible Investment Committee

Chairman: Ryota Miura	Lawyer, Miura & Partners	External
Katsuhiko Kokubu	Professor, Kobe University	External
Iwao Matsumoto※3	Managing Executive Officer (in charge of the asset management department)	Internal

※3. Mr. Iwao Matsumoto is not involved in deliberations on conflicts of interest, as he may be involved in decision making on the exercise of voting rights.

Period held	Main matters for deliberation, etc.
August 2020	<ul style="list-style-type: none"> • Suitability of exercising voting rights at general meetings of shareholders • Report on status of stewardship activities, etc. and policy for future initiatives • New criteria for exercising voting rights
February 2021	<ul style="list-style-type: none"> • Formulation of fiscal 2021 annual plan for responsible investment, etc.
March 2021	<ul style="list-style-type: none"> • Suitability of exercising voting rights at general meetings of shareholders • Report on status of stewardship activities, etc.
June 2021	<ul style="list-style-type: none"> • Suitability of exercising voting rights at general meetings of shareholders • Reduction targets for GHG emissions from the asset portfolio for 2030

Transition of Responsible Investment Activities

- ✓ We have promoted stewardship activities since the formulation of Japan's Stewardship Code in 2014.
- ✓ We have implemented full-scale ESG investment after endorsing the TCFD recommendations and participating in PRI in fiscal 2019.
- ✓ In fiscal 2021, we announced our aim to realize net-zero GHG emissions from the asset portfolio by 2050 (see p. 9).

Transition of Initiatives

Fiscal year	2014	...	2019	2020	2021
Structure	✓ Built a stewardship activities structure (Assigning dedicated dialogue personnel)	...	✓ ESG Investment Policy	✓ Reinforcement of the responsible investment structure	✓ Establishment of Responsible Investment Team
Stewardship activities	✓ Started applying to domestic listed stocks	...	(Refer to P20. Transition of Stewardship Activities)	✓ Addition of domestic bond Endorsement of Initiatives	✓ Encouraging investees' progress for decarbonization
ESG integration			✓ Listed stocks	✓ Addition of corporate bonds & loans	✓ Expanding to All asset class
Negative screening			<ul style="list-style-type: none"> ✓ manufacturers of cluster munitions ✓ coal-fired power generation projects 		<ul style="list-style-type: none"> ✓ manufacturers of controversial weapons ✓ coal-fired power generation projects
Thematic investment			✓ Investments mainly in SDGs bonds	✓ Cumulative total target (FY2020~FY2022) JPY 300bn	✓ Uplift of the target (FY2020~FY2022) JPY 500bn
Initiatives			<ul style="list-style-type: none"> ✓ Signed PRI ✓ Endorsed TCFD recommendations 	<ul style="list-style-type: none"> ✓ Joined Climate Action 100+*1 ✓ Joined CDP*2 	✓ Joined PCAF*3
GHG emissions				✓ Launch of GHG measurement of asset portfolio	✓ Commitment of Net-Zero GHG emissions by 2050,etc

*1 Initiatives to request reduction in greenhouse gas emissions through engagement with companies. *2 Initiatives for collaborative engagement while fostering information disclosure on climate change, water security and deforestation from major companies around the world. *3 International initiative aimed at standardizing the measurement and disclosure methods for GHG emissions from asset portfolios.

Net-zero GHG Emissions from the Asset Portfolio by 2050

- ✓ Based on the idea that the realization of a decarbonized society is indispensable for realizing a sustainable society, in April 2021, we announced our aim to reach net-zero GHG emissions by 2050, and in June 2021 we set a reduction target for 2030 in our asset portfolios.
- ✓ In August, we joined the international initiative PCAF*1. We measure GHG emissions in light of the measurement criteria announced by PCAF and disclose the results in this report (see p. 36).
- ✓ We will aim to achieve net-zero while implementing specific measures (next page) and managing the progress.

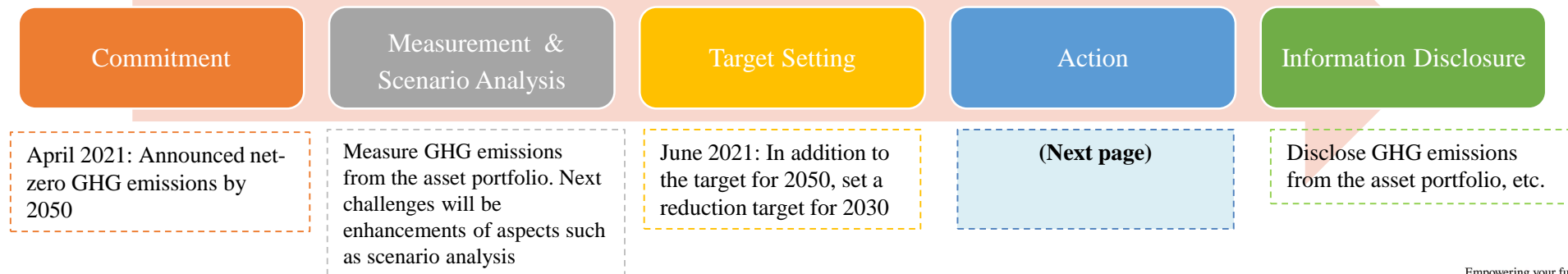
*1 Partnership for Carbon Accounting Financials: An international initiative aimed at standardizing the measurement and disclosure methods for GHG emissions from asset portfolios.

【GHG emissions reduction targets (Non-consolidated base)】

Category	2030 Target	2050 Target	Fiscal 2019
Scope1+2	△40% (compared with fiscal 2013)	Net-Zero	30,477t-CO2e
Scope3	△30% (compared with fiscal 2019)		123,706t-CO2e
Asset portfolio*2	△42% (compared with fiscal 2019)		8.7million t-CO2e

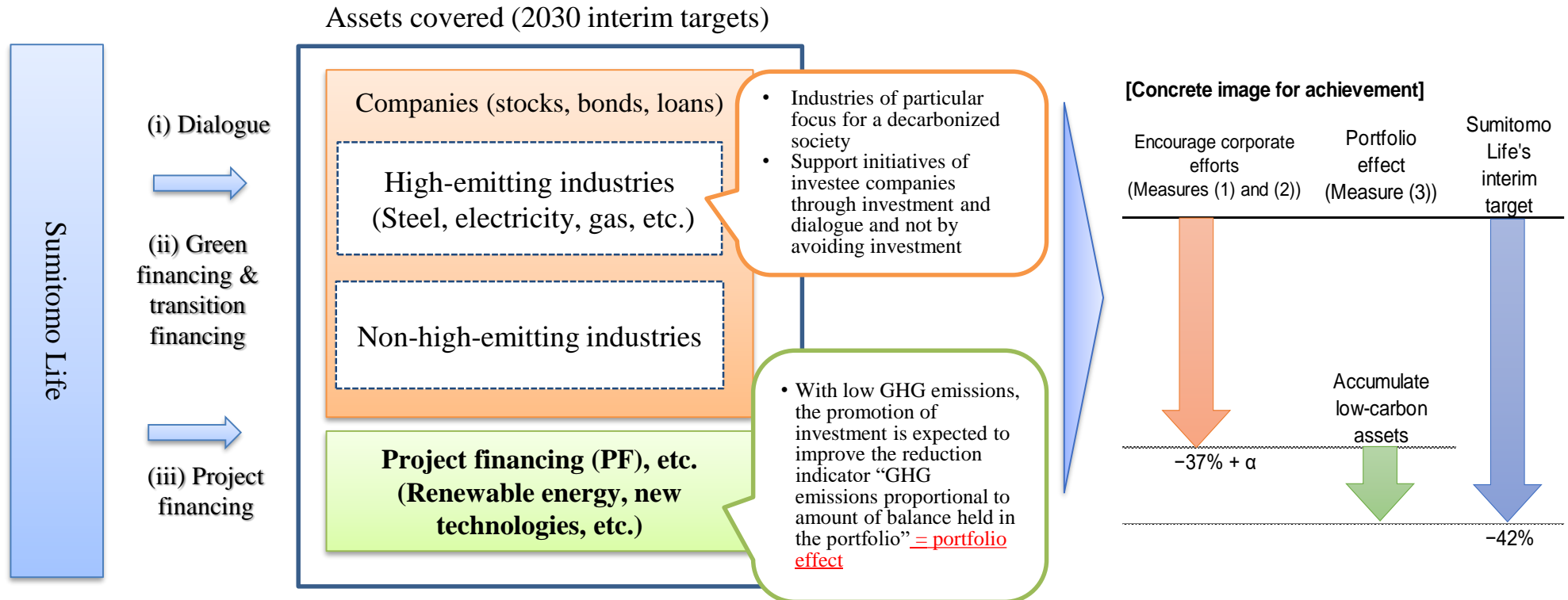
※ 2 For the 2050 target, this encompasses all assets excluding government bonds, etc. For the 2030 target, this encompasses domestic and overseas listed stocks, corporate bonds, and loans. The reduction indicator expresses “GHG emissions proportional to the amount of balance held in the portfolio,” in 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.

[Pathway to achieving net zero]



Net-zero GHG Emissions from the Asset Portfolio by 2050

- ✓ We believe it is important to reduce the GHG emissions of society as a whole by reducing the GHG emissions of each of our investees to achieve the reduction target for 2030.
- ✓ Based on this approach, we aim to achieve results through initiatives in three main areas: (i) dialogue with investee companies, (ii) green financing & transition financing, and (iii) project financing.
- ✓ For industries and companies with high GHG emissions, we focus on encouraging smooth transition, and we consider divestment as a last-resort measure.





2. ESG Investment

- | | |
|-----------------------|---------|
| ✓ ESG Integration | ···P.12 |
| ✓ Negative Screening | ···P.14 |
| ✓ Thematic Investment | ···P.15 |

ESG Integration (Overview)

ESG Integration	✓ A method that incorporates ESG perspectives in addition to financial information in the investment decision-making process.
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Basic Stance on ESG Integration

- ✓ Investees' initiatives for sustainability including ESG factors have an impact on future corporate value, which is an important perspective in our investment decisions for medium- to long-term asset management.
- ✓ In other words, we proactively incorporate ESG integration based on the philosophy that we can improve medium- to long-term investment return if we can use non-financial information to identify the “risks” and “opportunities” for future corporate value.
- ✓ We mainly incorporate this in stocks, bonds and loans at present, but since the above approach can be applied to all assets, we are steadily expanding the application to all assets during fiscal 2021.

Method of ESG Integration

※ Details are on the next page.

Financial analysis

- Profitability analysis (e.g. operating profit margin)
- Growth analysis (e.g. revenue growth rate)
- Safety analysis (e.g. equity ratio) …,etc.



Non-financial analysis

Industry-specific materiality (“important ESG issues”) is identified and assessed. … ,etc.

Used for investment decision-making and engagement

ESG Integration (Corporate Analysis)

Mainly analysis of the past and present ←

→ Mainly analysis of the future

Set and evaluate materiality by industry

Financial Analysis

Profitability Analysis

- PL-focused Analysis
- Return on assets (ROA)
 - Return on equity (ROE), etc.

Growth Analysis

- PL-focused Analysis
- Growth rate of net sales
 - Growth rate of net profit, etc.

Safety Analysis

- BS-focused Analysis
- Equity ratio
 - Debt ratio
 - Quick ratio, etc.

Non-financial Analysis

Management

- Strategy execution capabilities
- Shareholder returns and capital efficiency
- Business portfolio
- Investments, M&A strategy, etc.

Industry Trends

- Market's growth potential
- Competitive environment
- Impact of regulations and policies, etc.

Business Foundation

- Customer value
- Customer base
- Barriers to entry, etc.

Environment (E)

- Identification of materiality and response
(e.g.)
- ✓ Environmental management
- ✓ Initiatives to mitigate climate change

Society (S)

- Identification of materiality and response
- ✓ Labor practices
- ✓ Fair economic transactions

Governance (G)

- Identification of materiality and response
(e.g.)
- ✓ Corporate philosophy and commitment to sustainability
- ✓ Corporate governance system, etc.

In-house investment decisions that consider ESG factors

Utilize ESG scores from external ESG information vendors, etc. as a reference

Thematic Investment (Overview)

Thematic Investment	✓ Investments aimed at solving ESG issues (Judgment by the use of proceeds)
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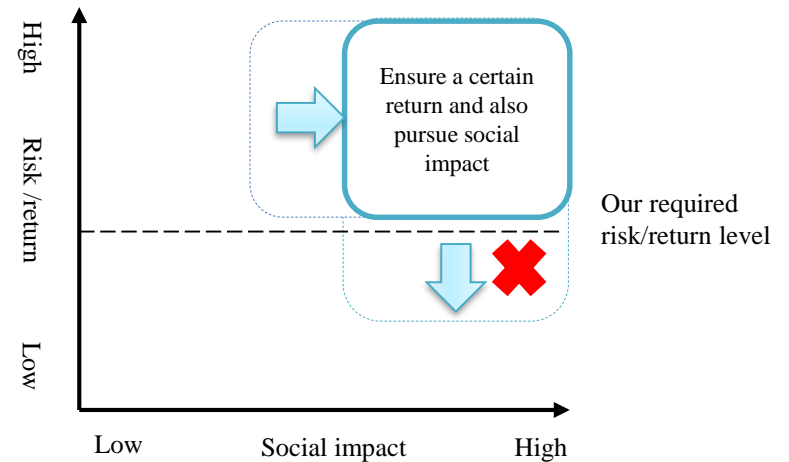
Basic Stance on Thematic Investment

- ✓ As a responsible institutional investor, we believe our mission is not only to ensure profitability but to pursue social impact.
- ✓ Therefore, when considering thematic investment, we carefully look at the risks and returns, selecting and implementing those projects likely to have greatest social impact, while premised on securing a certain return.

Status of Thematic Investments

- ✓ Investments of approximately ¥146 billion in fiscal 2020 compared to the 3-year cumulative target of ¥300 billion (Fiscal 2020 to 2022).
- ✓ We forecast investment opportunities will increase with the transition towards a decarbonized society, so we have upwardly revised the target to ¥500 billion.
- ✓ We conduct regular monitoring not only when making the investment but following the investment on aspects such as the use of funds and social impact to confirm that transactions do not result in so-called “greenwashing” (creating a false impression of environmental consideration), etc.

[Relationship between risk/return and social impact (image)]



[Target amount and results]

	Target amount	Results (April 2020 to March 2021)
Thematic investment	Cumulative: ¥500 billion (Fiscal 2020 - 2022)	Approx. ¥146 billion

Thematic Investment (by regions)

Thematic Investment Results(FY2019)

Total approx. : **¥57 billion**

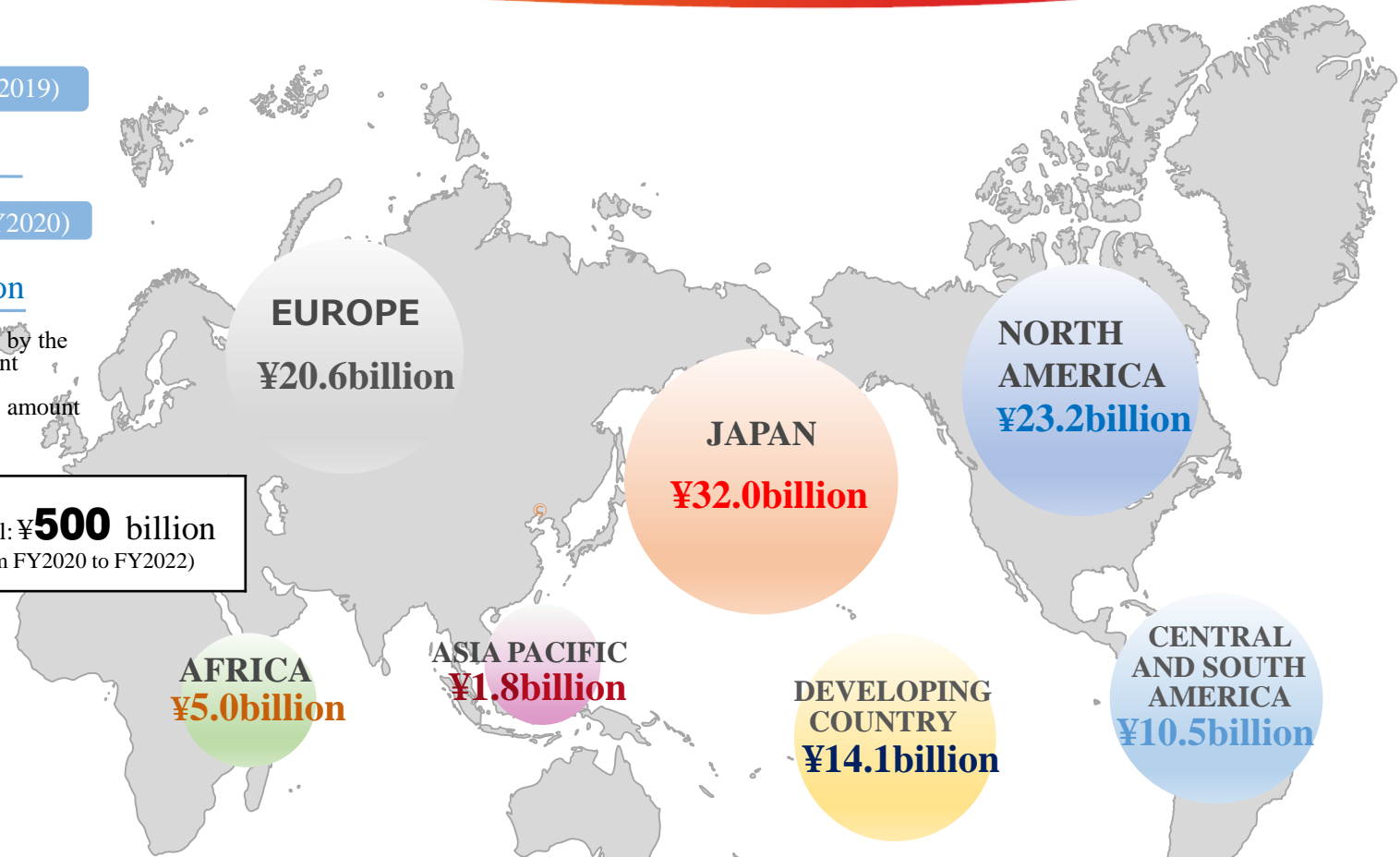
Thematic Investment Results(FY2020)

Total approx. : **¥146 billion**

※ The above results refer to amounts by the year in which the respective investment decisions were made. Conversely, the regional distribution to the right is the amount actually invested in fiscal 2020.

Thematic Investment Target

Cumulative Total: **¥500 billion**
(3-year period from FY2020 to FY2022)



Green Bond



© Christophe Recoura/SNCF

Social Bond



© IDB

Sustainability Bond



©JRJT

Renewable Energy Projects



© BlackRock Real Assets

Financing for COVID-19



Thematic Investment (Fiscal 2020/Individual Transactions)

[Main investments (Fiscal 2020/Overseas)]

Transaction	Investment amount	Key theme	Overview	Main SDGs
Sustainable development bonds	¥6.9 bn	COVID-19 measure	Invested in a Sustainable Development Bond issued by the International Bank for Reconstruction and Development (IBRD) to support the health care sector, including COVID-19 response measures.	
Green bonds	¥10.0 bn	Climate change	Invested in a Green Bond issued by Société Nationale SNCF SA to finance projects related to the maintenance, upgrades, and improvement of energy efficiencies of high-speed railway networks and railway systems.	
Social bonds	¥7.2 bn	COVID-19 measure	Invested in a social bond issued by International Finance Corporation (IFC) to support private companies in developing countries that have been affected by the economic downturn caused by the spread of COVID-19.	
Schemes related to COVID-19 response	¥5.0 bn	COVID-19 measure	Invested in a credit line scheme to support those tackling COVID-19 set up by the African Export-Import Bank.	
Renewable energy fund	¥10.5 bn	Climate change	Invested in the Global Renewable Power Fund III, an infrastructure fund that specializes in investment in renewable energy-related facilities.	

[Main investments (Fiscal 2020/Domestic)]

Transaction	Investment amount	Key theme	Overview	Main SDGs
Domestic SDG bonds	¥15.9 bn	Smart city	Invested in Tokyo Green Bonds issued by the Tokyo Metropolitan Government, which is aiming to create a smart city, to finance environmental projects.	
		Creating sustainable cities	Invested in a social bond issued by the Urban Renaissance Agency for the purpose of initiatives such as urban redevelopment and disaster prevention and mitigation.	
		Education	Invested in a social bond issued by the University of Tokyo to promote research in light of the new global strategy for a post-COVID era and for the realization of a safe, smart and inclusive campus.	
		Infrastructure	Invested in a sustainability bond issued by the Japan Railway Construction, Transport and Technology Agency (JRRT) to finance railway construction projects and joint ownership shipbuilding projects.	
		Project financing for wind power generation	¥2.4 bn	Climate change
Project financing for solar power generation	¥13.3 bn	Climate change	Extended project financing for four solar power generation projects in Japan.	

We are confronting a range of social issues including global warming, biodiversity and human rights problems. We should not simply pursue an increase in investment returns, but also consider how our investment behavior can be beneficial to society and contribute to the realization of a sustainable society. For example, we believe we should encourage institutions, companies and businesses that are proactive towards achieving SDGs on the financial front with thematic investment. While every issue is difficult to solve, we do our best to think about what we should do as a responsible investor and promote appropriate initiatives.



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General Manager,
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Department

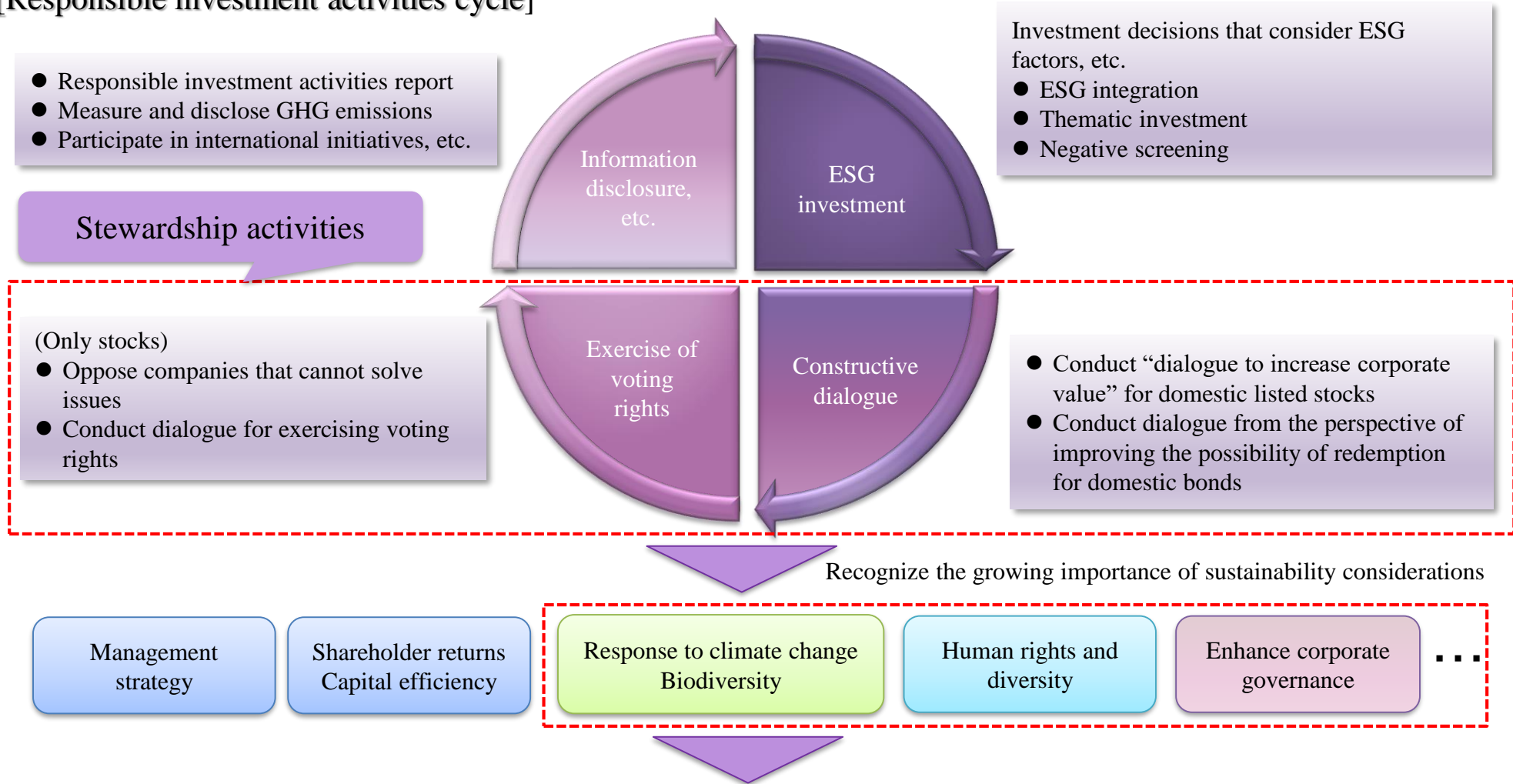
3. Stewardship Activities

(Dialogue and Exercising Voting Rights)

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Basic Stance on Stewardship Activities

[Responsible investment activities cycle]



Encourage investee initiatives through stewardship activities that lead to improvement in corporate value over the medium to long term

*For the separate account, we also select advisory companies, giving consideration to their response to the Stewardship Code, and invest on receipt of investment advice.

Transition of Stewardship Activities

Fiscal year (From July to June in the following year)	2014	2015	2016	2017	2018	2019	2020	2021
Number of dialogues for improving corporate value	218	125	124	151	142	94	105	(Target) 110 - 120
Number of dialogues for exercising voting rights	347	313	254	258	227	186	170	-
Number of dialogues on domestic bonds							10	(Target) 10
Main structural changes	One dedicated staff for dialogue			Two dedicated staff for dialogue				Three dedicated staff for dialogue
	Analyst attends dialogue						Responsible Investment Committee Commenced dialogue for bonds	
	Third-party Committee							
Change in main themes for dialogue	Management strategy, capital efficiency, shareholder returns, governance							Promote dialogue to encourage decarbonization
					Important industries (regional banks), collaborative engagement			
					Important theme (ESG)			
					Response to COVID-19			
Change in main criteria for exercising voting rights	Outside officers' attendance rate, retirement benefits for outside auditors, one outside director							Revise the number and proportion of independent outside directors
	ROE criteria							
				Independence criteria for independent officers, strengthen criteria for dividend payout ratio				
				Two outside directors from Tokyo Stock Exchange First Section				
Main change in disclosure	Status of annual stewardship activities, Guidelines for Exercising Voting Rights							Publish the Responsible Investment Activities Report
	Summary table for voting rights exercise							
						Individual disclosure (quarterly)		
						Disclosure of reasons for opposition		
						Disclosure of reasons for approval		

Review on Fiscal 2020 Dialogue [Key Items]

(July 2020 to June 2021)

We conducted 105 dialogues in fiscal 2020 (cumulative total of 384 companies over 5 years, accounting for 34% of the issuers of our portfolio, and 82% of the market value we hold). As a result of implementing the PDCA cycle for the dialogues and considering their importance, we will have more in-depth dialogue in fiscal 2021 on matters such as the recovery from the COVID-19 crisis and renewed growth as well as ESG dialogue (see pp. 26-27 for fiscal 2021 management).

	Review
Dialogue about recovery from the COVID-19 crisis and renewed growth	<ul style="list-style-type: none"> ● There is polarization amid the protracted COVID-19 pandemic, with some companies still in a recovery stage while others are moving to a renewed growth stage. ● In fiscal 2021, we will have in-depth dialogue to confirm the renewed growth story from the COVID-19 crisis. We will have dialogue that promotes improvement in corporate value with the aim of achieving sustainable growth amid changing industry trends.
Themes of key initiative “ESG”	<ul style="list-style-type: none"> ● As of ESG issues, we focused on the increasingly critical problem of global warming. Our dialogue focused on the response to ESG issues and improvements to corporate value, while requesting change in the business model, where necessary. ● We will aim to improve the quality of future dialogue, referring to comparative data on GHG emissions and examples of effective dialogue, and continue the dialogue accordingly. We will also focus on dialogue for solving issues such as human rights and biodiversity that have attracted renewed attention with the COVID-19 pandemic.
Dialogue strengthened through exploration of issues by analysts	<ul style="list-style-type: none"> ● Providing adequate analysis and materials in advance is effective for sharing our awareness of issues with companies and for discussing response measures. ● Amid the major changes in trends in the industry in the new fiscal year, we will aim to strengthen dialogue that promotes sustainable growth of investees while simultaneously leading to more investment activities.
Collaborative engagement	<ul style="list-style-type: none"> ● The Stewardship Activities Working Group of the Life Insurance Association of Japan sent letters to 64 companies requesting improvements to shareholder returns, 64 companies requesting improvements in ESG disclosures and 50 companies requesting improvements in climate change disclosures. ● Collaboration between investors is becoming increasingly important and it is important to send letters and have ongoing dialogue.

Review on Fiscal 2020 Dialogue [Improvement]

(July 2020 to June 2021)

We focused our efforts on dialogue looking at the management strategy that leads to improvement in medium- to long-term corporate value. In fiscal 2019 (July 2019 to June 2020), the dialogue involved 127 business strategy-related requests. We will continue our highly effective engagement, using the PDCA cycle to realize sustainable improvement in corporate value through measures such as monitoring the status of improvement for issues at companies and conducting further dialogue, as necessary.

Fiscal 2019 requests

Item	Requests (Number)
Governance (enhancement of the management structure, etc.)	32
* Business strategy (formulation of growth scenarios, etc.)	127
ESG (enhancement of disclosure, etc.)	48
Revenue (improvement of earning capacity)	83
Of which, ROE	18
Disclose (enhancement of disclosure)	21
Shareholder returns	10
Other	21
Total	342

(Breakdown of business strategy)

Category	Number of requests
Promotion of investments for growth	9
Formulation of management plans	7
Revision of business portfolio	35
Other business strategies	76

Improvement	Rate of improvement
1	11.1%
3	42.9%
13	37.1%
26	34.2%

Fiscal 2020 confirmation

Improvement	Partial improvement	Not yet improved	Rate of improvement
16	3	13	50.0%
43	45	17	33.9%
16	15	17	33.3%
23	33	13	27.7%
6	10	2	33.3%
5	5	11	23.8%
2	5	3	20.0%
6	8	4	28.6%
111	114	78	32.5%

Evaluation criteria and rate of improvement are presented below.

- Improvement : Achieved tracked items or showed signs of progress/improvement in line with the request
- Partial improvement : Improvement has been made, but not to the level required
- Not yet improved : Not achieved, or no signs of progress/improvement in line with the request
- Rate of improvement : $\text{Number of items improved} / \text{Number of requests}$

Review on Fiscal 2020 Dialogue [Examples]

(July 2020 to June 2021)

Revision of business strategies due to the COVID-19 pandemic - Manufacturer A -

Issue recognition

- Corporate customer demand for capital investment in the company's products may have declined amid the work-style reforms due to the COVID-19 pandemic
- Concerns about a slump in earnings due to lower future demand have become evident

What was requested

- Identified the possibility that the market will shrink due to the COVID-19 pandemic
- Urgency to revise the business strategy since work-style reforms are permanent and not transient

Company response

- The permanency of remote work and promotion of DX presents a business opportunity to make proposals responding to new work-styles
- Recognize the need for open innovation with other industries

Future engagement

- Increase profitability by improving proposal type sales
- Build competitive advantage by promoting M&A and alliances, including in overseas markets

Change in industry trends and change in business portfolio - Materials manufacturer B -

Issue recognition

- Decline in demand for their products with the evolution of EV automobiles
- No clarity concerning specific new business and new development areas
- Stock price is very much discounted

What was requested

- Thorough awareness amongst all employees about rebuilding the business
- Improve explanation and disclosure to investors about products that are in the development stage for new business

Company response

- Trying to rebuild the business, but requires consideration for the current employee morale
- While it is difficult to indicate specific figures for the new business, the realization of carbon neutral and the evolution to a digital society can create new growth opportunities

Future engagement

- Strengthen communication with the stock market such as through disclosure of new technologies and products
- Complete the "Third Foundation"

Review on Fiscal 2020 Dialogue [Examples]

(July 2020 to June 2021)

Dialogue for becoming carbon neutral

- Energy company C -

Issue recognition

- Achieving both environmental and social sustainability as well as economic sustainability
- Measures to increase the proportion of profitable renewable energy
- Realization of innovation for decarbonization

What was requested

- Noted that their products could become stranded assets
- Accurately assess the risks and business opportunities of climate change
- Improve the effectiveness and precision of TCFD scenario analysis

Company response

- The energy handled by the company remains a major fuel, but the company recognizes that large scale innovation is vital to achieve carbon neutral

Future engagement

- Risk of currently handled energy becoming stranded assets
- Confirm the technical innovation and state of progress
- Upgrade the TCFD scenario analysis and reflect it in the medium-term management strategy and plan

Germination of change at Japanese companies



Japanese companies are said to be falling behind in their response to climate change, human rights and diversity, but many companies have drawn the necessary targets and roadmaps such as making carbon neutral declarations. There are definite signs of germination in steps in that direction.

❑ Electricity sector

- In parallel with the suspension of low efficient coal power generation, electric power generation portfolios are changing through efforts to shift to LNG and increase the proportion of renewable energy, as well as to resume nuclear power generation. While there is a shift to low carbonization of power on the supply side, electrification is also being promoted on the demand side.
- In addition, the private and public sectors are working together on efforts to develop and verify new technologies such as CCUS (Carbon dioxide Capture, Utilization and Storage) and hydrogen power generation.

❑ Chemical sector

- Catalyzing reforms to the business portfolio to promote the use of alternative energies in non-fossil fuels in the manufacturing process and contribute to low carbonization and decarbonization.
- Striving to develop chemical recycling technologies, manufacture environmentally-friendly hydrogen, etc., apply it in a wide range of areas through lower manufacturing costs, and realize mass production to achieve carbon neutral by 2050.

Review on Fiscal 2020 Dialogue [Survey Results]

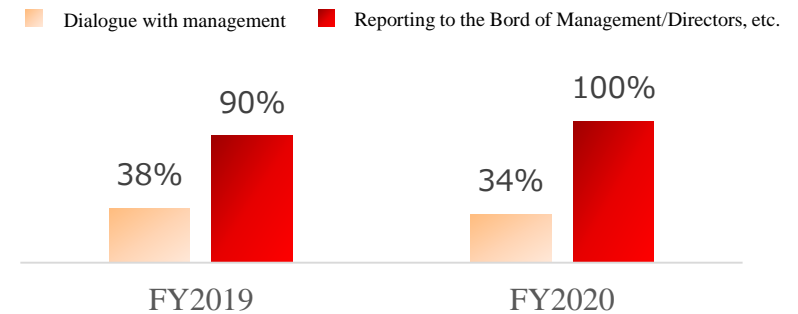
(July 2020 to June 2021)

We requested and received the cooperation of many companies with which we engaged from the perspective of improving dialogue aimed at increasing corporate value. The survey results indicate many companies continue to rank us highly, with a high proportion sharing the dialogue with management. We will strive to improve the quality of dialogue and initiate efforts to enhance our proposal capabilities based on the opinions expressed.

Survey results

Survey items (5-rankings of evaluation)	Last fiscal year	This fiscal year
Overall evaluation	4.7	4.8
Was there adequate understanding, as well as research and analysis?	4.6	4.9
Did this lead to the promotion of mutual understanding?	4.6	4.9
Were the opinions, etc. beneficial?	4.6	4.9

Percentage of companies engaged in dialogue with management and reporting to the Board of Management/Directors, etc.



Extract from survey results

Highly ranked opinions	<ul style="list-style-type: none"> We were able to have in-depth exchange of opinions receiving suggestions on expectations and concerns from the perspective of improving corporate value over the long-term in light of a precise understanding of our company's business environment and trends. Of particular note was the receipt of advice that it is important that we formulate a strategy to build a competitive advantage that leads to sustainable growth by seeing the acceleration of environmental regulations as a business opportunity rather than a risk. This reaffirmed the validity of our company's direction.
Other opinions and requests	<ul style="list-style-type: none"> We believe we could have more beneficial dialogue with your company if we could receive advice and comments on initiatives considered to be inadequate or falling behind by being presented with comparative examples of initiatives or circumstances at other companies.

*Extracts from some of the opinions and requests that we received

Fiscal 2021 Dialogue [Stocks]

(July 2021 to June 2022)

Recognizing the growing importance of sustainability initiatives to improve medium- to long-term corporate value, we set our main themes for dialogue in fiscal 2021 as ESG, dialogue for sustainable growth, response to regional banks and collaborative engagement. Based on the following themes (pp. 26-27) we will select the companies with which we have dialogue from the perspective of improving the value of the entire portfolio.

Details of dialogue

Key initiative theme “ESG”

- In terms of the environment, we discuss measures with companies in our portfolio that have high emissions about steps towards achieving carbon neutrality. Additionally, we have dialogue with companies that will face issues if Scope 3 is included in their emissions.
- In terms of society, we discuss solutions for problems concerning work safety, human rights, diversity, harmony with communities and biodiversity in the entire supply chain.

Dialogue for sustainable growth

- In dialogues provided by analysts for the purpose of improving corporate value, we meet directly with the management to discuss long-term management strategies such as visions and purpose.
- To deepen the dialogue for the recovery from the COVID-19 crisis and renewed growth and as a dialogue based on specific themes (DX, sustainability and supply chain) in consideration of changing trends in the industry, we discuss risks and opportunities caused by the changing trends in the industry such as the shift to carbon neutral and EVs.
- Apart from this, we follow-up and check on the level of improvement with companies with which we previously had dialogue and have dialogue with entities that need to improve or strengthen their governance structures according to the revised Guidelines for Exercising Voting Rights, etc.

Fiscal 2021 Dialogue [Stocks]

(July 2021 to June 2022)

Dialogue (Continued)

Details of dialogue	
Dialogue with regional banks	<ul style="list-style-type: none">● We will continue to have dialogue with regional banks as a key initiative industry and support regional banks as pillars in revitalizing local communities.● We will encourage and support their initiatives aimed at both regional revitalization and recovery in revenue capacity from a medium- to long-term perspective.
Collaborative engagement	<ul style="list-style-type: none">● We will continue to participate in collaborative engagement through the Life Insurance Association Stewardship Activities Working Group (planned).

There are clear changes in trends affecting companies such as the response to sustainability, including global warming, human rights and biodiversity, and the change in values and ways of living due to COVID-19. This has been accompanied by various actions including companies that have made carbon neutral declarations, and companies that are reconsidering their choice of business, changing strategies and rethinking about their purpose.

In the former case, the response to achieving carbon neutrality requires major innovation beyond existing technologies, which is not a very easy target. We believe our role as a long-term investor is to confirm the direction and the roadmap for such long-term challenges through dialogue and provide support for dealing with them. In the latter case, for the choice of business and changing strategies, we would like to conduct dialogue not only from the perspective of periodic revenues but also from the perspective of balance sheet management such as the profitability of invested assets.

We hope to have a two-way exchange of opinions with companies as we face major reforms, such as reconsideration of the idea of shareholder primacy and the requirement to consider various stakeholders.

Masayuki Murata
General Manager In Charge of Stewardship Activities,
Balanced Portfolio Investment Department



Fiscal 2021 Dialogue [Bonds]

(July 2021 to June 2022)

We take a long-term perspective in our discussions with companies and encourage them to take the appropriate response to risk to increase the possibility of redemption of domestic bonds held by our company (10 cases of dialogue in fiscal 2020). In addition, we will also conduct dialogue for reducing GHG in our asset portfolio.

When conducting dialogue, we operate with a unified sense of purpose, collaborating with the Equities Investment Division and the newly established Responsible Investment Team.

Items set for fiscal 2021

Items set for fiscal 2021	
Increase the possibility of redemption	<ul style="list-style-type: none"> ➤ Broad discussion as a bond investor from a long-term perspective on matters such as the company's business strategy, financial strategy and ESG materiality. ➤ Discussion about matters such as the future financial strategy and post-COVID-19 strategy, particularly with companies that have been greatly affected by the COVID-19 pandemic. ➤ As a responsible investor, confirm matters with issuers of SDG bonds (green bonds, etc.) such as the status of usage of the proceeds, the impact that has been achieved and future measures.
Reduce GHG	<ul style="list-style-type: none"> ➤ Discuss from the perspective of reduction of long-term transition risks and physical risks, particularly with companies that have high GHG emissions. ➤ Discuss the formulation and implementation of a specific roadmap towards decarbonization, utilizing the TCFD framework, etc. ➤ Propose the use of transition bonds*¹ and sustainability-linked bonds*², etc. as a finance measure for solving issues.

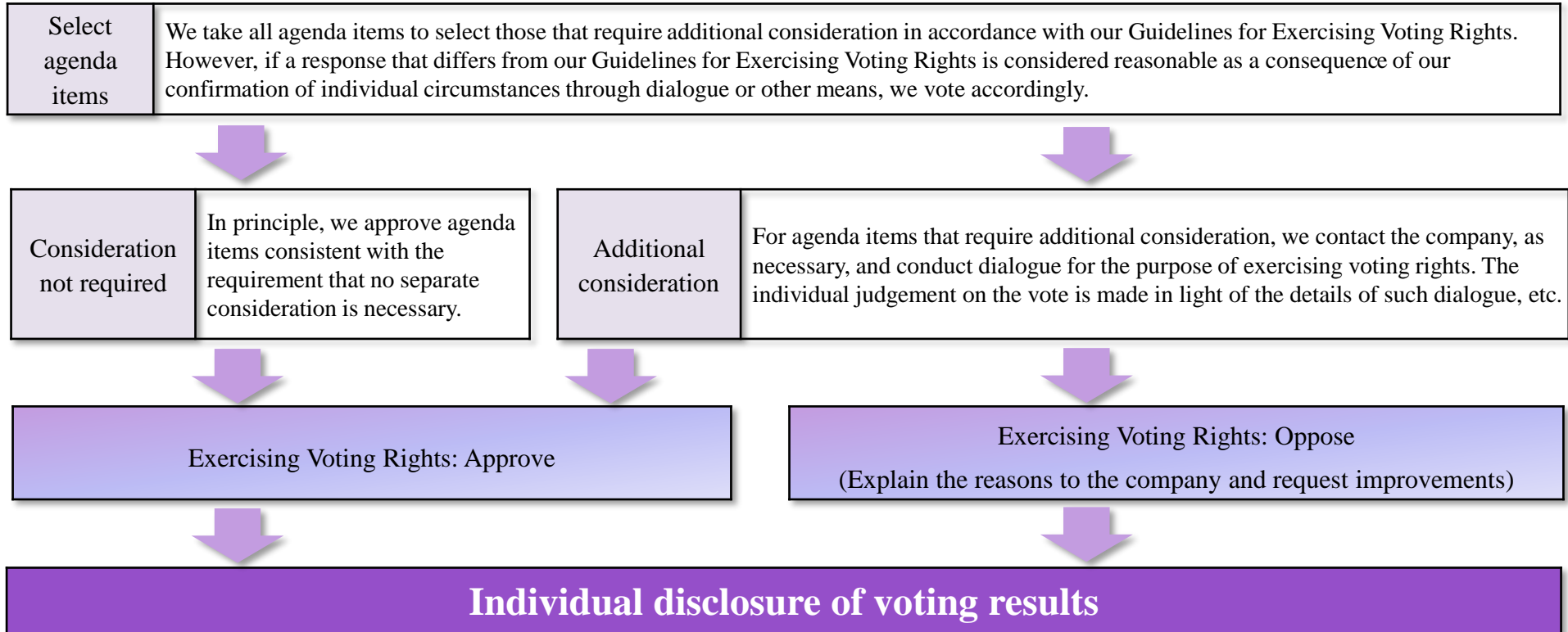
*1 Bonds for funding companies that are undertaking initiatives to reduce GHG in line with a long-term transition strategy to achieve a decarbonized society.

*2 Bonds with pre-determined targets (sustainability performance targets) for KPIs concerning the company's sustainability management, with varying terms and conditions, such as the future payment of coupons, according to whether such target is achieved.

Stance on Exercising Voting Rights

Our company has established “Guidelines for Exercising Voting Rights” and determines whether to vote for or against a proposal when exercising our voting rights, in light of dialogue with investee companies and the state of their initiatives on issues, etc. Specifically, we select agenda items that require additional consideration according to our Guidelines from perspectives such as the investee company’s financial performance/conditions, capital policy, legal compliance structure, stance on distribution of returns and sustainability initiatives, and make careful decisions.

We recognize that exercising voting rights is also an important method for encouraging the sustainable growth of investee companies. When considering whether to approve or oppose an individual agenda item, our decisions are not a mere formality. We listen to investee companies about their response to issues and conduct dialogue through which we explain our opinions and concerns to encourage their sustainable growth.



Fiscal 2020 Voting Results (July 2020 to June 2021)

Our voting results is shown below. **We voted against 138 agenda items (2.1% of a total 6,691 agenda items) and voted against 127 companies (6.2% of a total of 2,064 companies).**

Apart from a reduction in the number of agenda items that we opposed due to the continuation of special management measures under COVID-19*1, we were able to confirm improvement in terms of governance on the company side.

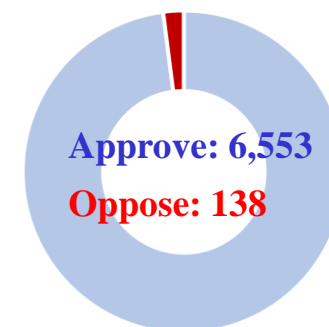
Breakdown of main agenda items we opposed

Category	Reason for opposition	Last fiscal year	This fiscal year
Special management measures due to COVID-19	No statement of opinion from accounting auditor, no business report	2	0
	Low dividend payout ratio, no dividend despite recording profits	34	28
	Poor performance (Loss for three consecutive years)	8	4
	Low ROE (Below 5% for five consecutive years)	9	4
Governance	Not achieved the number of (independent) outside directors	22	28
	Low attendance rate for outside officers at Board of Directors meetings, etc.	11	5
	Payment of retirement benefits to auditors, etc.	35	32
	Granting stock options, etc. to auditors, etc.	9	25
	Lack of independence of independent officers	7	1
Other	Shareholder proposals*2	2	3
	Scandal	3	5
Total number of proposals opposed (ratio)*3		148 (2.2%)	138 (2.1%)
Total number of proposals		6,766	6,691

<By number of proposals>

Opposed ratio 2.1%

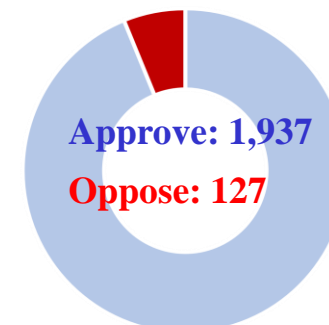
(-0.1pt YoY)



<By number of companies>

Opposed ratio 6.2%

(-0.3pt YoY)



*1 We conducted special measures, exercising our voting rights in a flexible manner from the perspective of measures that would lead to quick recovery from the COVID-19 crisis and improvement in medium- to long-term corporate value.

*2 For shareholder proposals, agenda items approved are counted as opposition to company proposals.

*3 Totals are not the vertical sum because the figures include single agenda items with multiple conflicting criteria.

Fiscal 2020 Voting Results [Improvement] (July 2020 to June 2021)

Some companies with which we had dialogue or voted against improved in terms of governance, but the ratio of improvements was low in terms of financial performance and the independence of officers.

Status of improvement for the same companies that we voted against

Opposed items	Number of proposals opposed in fiscal 2019
Below 75% attendance rate of outside directors and auditors	8
Auditor compensation, etc.	2
No statement of opinion from accounting auditor	1
Retirement benefits* for directors and auditors	24
Director compensation, etc.	4
Not achieving the number of (independent) outside directors	9
Low dividend payout ratio, no dividend despite recording profits	15
ROE below 5% for five consecutive years	5
Lack of independence for independent officers	4
Loss for three consecutive years	2

Improvement in fiscal 2020	
	Ratio of improvements
8	100%
2	100%
1	100%
23	96%
3	75%
6	67%
9	60%
3	60%
2	50%
1	50%

*There are cases where retirement benefits was not presented as a proposal.

Review on Fiscal 2020 Voting Results [Shareholder Proposals] (July 2020 to June 2021)

Recent examples of climate change-related shareholder proposals that have attracted attention amongst the shareholder proposals deliberated by the Responsible Investment Committee, which were analyzed and considered from the perspective of a responsible institutional investor.

	Points for consideration and reasons for decision making
Climate change-related shareholder proposals	<p>Case (i) [Details of shareholder proposal] A request that the company amend its Articles of Incorporation with the addition of the provision that “the company shall adopt and disclose in its annual report a plan outlining the company’s business strategy including metrics and short-, medium-, and long-term targets, to align its holdings of coal, oil and gas assets and the scale of business related to these assets with the goals of the Paris Agreement.”</p> <p>[Opposition to shareholder proposal] We confirmed through meetings and interviews that the company has been actively making efforts to address the risk of climate change since the previous fiscal year and considers new entry in coal power generation business in light of its consistency with the Paris Agreement. We also confirmed that the company aims to work on negotiations to achieve the target to withdraw from coal-related business set as a medium-term target ahead of schedule.</p> <p>In light of a comprehensive assessment of these initiatives by the company, we do not believe it necessary to amend the Articles of Incorporation as requested in this proposal, so we opposed this shareholder proposal.</p>
	<p>Case (ii) [Details of shareholder proposal] A request that the company amend its Articles of Incorporation with the addition of the provision that “the company shall adopt and disclose in its annual report a plan outlining its management strategy, including metrics and short-, medium- and long-term targets, to align its investments with the goals of the Paris Agreement.”</p> <p>[Opposition to shareholder proposal] We confirmed that the company’s policy clarifies its stance on climate change initiatives and stipulates the active disclosure of information concerning environmental initiatives and that the company is proactively implementing initiatives to deal with the risk of climate change, such as striving to ensure transparency. Based on this, we do not believe it necessary to amend the Articles of Incorporation as requested in this proposal, so we opposed this shareholder proposal.</p>

Main Revisions to the Guidelines for Exercising Voting Rights

Dialogue and the exercise of voting rights as a shareholder are some of our most important initiatives in fulfilling our stewardship responsibilities. In addition to amending the philosophy in our Guidelines for Exercising Voting Rights, we have now explicitly stated our perspective and philosophy on ESG initiatives, so that our philosophy is better understood. We have also changed our criteria for exercising voting rights.

	Intent/Overview																																					
Philosophy on the Guidelines for Exercising Voting Rights [Revised]	<p>We have added the following to the guidelines in the belief that the promotion of sound corporate behavior that considers sustainability under the appropriate governance structure will lead to improvements in medium- to long-term corporate value.</p> <ul style="list-style-type: none"> Improve sustainability management Strengthen governance structure, such as fulfilling the Board of Directors' function 																																					
Perspectives and philosophy on ESG initiatives [New]	<p>Sustainable growth of companies requires solving social issues as well as achieving economic rationality. Recognizing that in addition to the issue of global warming, measures on human rights and biodiversity that emerge through economic activities of companies will become more important than ever, we clarified our perspectives and philosophy on initiatives on “environmental issues,” “carbon neutrality” and “social issues such as human rights and diversity.”</p>																																					
Main changes in the criteria for exercising voting rights [Director election proposals, takeover defense measures]	<ul style="list-style-type: none"> Number and ratio of independent outside directors meeting our independence criteria <table border="1"> <thead> <tr> <th>Item</th> <th>Market category</th> <th>Current standard</th> <th>From April 2022 (Already announced)</th> <th>From April 2023 (Latest amendment)</th> </tr> </thead> <tbody> <tr> <td rowspan="3">A company other than those described below</td> <td>TSE Prime</td> <td>At least 2</td> <td>At least 2</td> <td>At least 1/3</td> </tr> <tr> <td>TSE Standard</td> <td>At least 1</td> <td>At least 2</td> <td>At least 2</td> </tr> <tr> <td>Other</td> <td>At least 1</td> <td>At least 1</td> <td>At least 1</td> </tr> <tr> <td rowspan="2">A company with a parent company</td> <td>TSE Prime</td> <td>At least 2</td> <td rowspan="2">At least 1/3</td> <td>At least 1/2</td> </tr> <tr> <td>Other</td> <td>At least 1</td> <td>At least 1/3</td> </tr> <tr> <td rowspan="2">A company with takeover defense measures</td> <td>TSE Prime</td> <td>At least 2</td> <td rowspan="2">At least 2</td> <td rowspan="2">At least 1/3</td> </tr> <tr> <td>Other</td> <td>At least 1</td> </tr> </tbody> </table>					Item	Market category	Current standard	From April 2022 (Already announced)	From April 2023 (Latest amendment)	A company other than those described below	TSE Prime	At least 2	At least 2	At least 1/3	TSE Standard	At least 1	At least 2	At least 2	Other	At least 1	At least 1	At least 1	A company with a parent company	TSE Prime	At least 2	At least 1/3	At least 1/2	Other	At least 1	At least 1/3	A company with takeover defense measures	TSE Prime	At least 2	At least 2	At least 1/3	Other	At least 1
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Self-evaluation of Stewardship Activities

Principle	Japan's Stewardship Code (Details)	Self-evaluation and future initiatives (✓: Compliant)	
Principle 1	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	✓	<ul style="list-style-type: none"> ➤ This policy has already been formulated and published as our “Basic Approach to Stewardship Activities.” This fiscal year, we are enhancing the description of our approach to ESG issues.
Principle 2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	✓	<ul style="list-style-type: none"> ➤ The Compliance Control Department comprehensively manages in accordance with the “Policy on Management of Conflicts of Interest.” This was deliberated three times at the Responsible Investment Committee during the previous fiscal year and we publicly disclosed the results. We will continue the initiatives.
Principle 3	Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	✓	<ul style="list-style-type: none"> ➤ We collect financial information and non-financial information including ESG and conduct both quantitative and qualitative corporate analysis (ESG integration). We also strive to accurately understand the status of investee companies.
Principle 4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	✓	<ul style="list-style-type: none"> ➤ We share our recognition of issues with investee companies and strive for improvement through adequately prepared dialogue. ➤ We will enhance dialogue concerning the response to ESG issues and particularly in relation to decarbonization under an enhanced structure for promoting responsible investment.
Principle 5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	✓	<ul style="list-style-type: none"> ➤ We judge in accordance with the guidelines after grasping the company’s situation. We disclose our voting results in accordance with the policy. ➤ Recently we have revised the criteria for exercising voting rights from a perspective that encourages improvements in ESG issues, as well as incorporated our approach to ESG issues into our “Guidelines for Exercising Voting Rights,” and we will put it into practice appropriately.
Principle 6	Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	✓	<ul style="list-style-type: none"> ➤ We publish our overall stewardship activities on the Company’s website. ➤ This fiscal year, we revised the details of our previous “Stewardship Activities Report” and replaced it with the “Responsible Investment Activities Report” due to enhancements to our responsible investment structure, and we will make further enhancements in future.
Principle 7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	✓	<ul style="list-style-type: none"> ➤ We are currently improving the structure for stewardship activities and promoting human resources development that includes improvement to corporate analysis capabilities. ➤ In future, we will utilize the enhanced structure to promote responsible investment, aiming to enhance initiatives for decarbonization across assets, strengthen collaboration with outside organizations and improve capabilities and increase the effectiveness of stewardship activities.



4. Information Disclosure

(GHG Emissions), Etc

- | | |
|---|---------|
| ✓ GHG Emissions from the Asset Portfolio | ···P.36 |
| ✓ GHG Emission Measurement Indicators, Etc. | ···P.37 |
| ✓ Participation in Initiatives | ···P.38 |

GHG Emissions from the Asset Portfolio*1

We commenced measuring GHG emissions from the asset portfolio for domestic listed stocks, domestic bonds, domestic loans, overseas bonds and some delegated assets*2 from the current fiscal year. This covers Scope 1 and Scope 2 of investees.

The total GHG emissions (excluding delegated assets) increased year on year in fiscal 2019*3, but this is partly attributed to the temporary decline in the balance of high-emitting industries at the end of the previous fiscal year and the increase in the investment balance at the end of fiscal 2019. On the other hand, in our GHG reduction indicators for 2030, “GHG emissions proportional to amount of balance held in the portfolio (excluding delegated assets)” are in a downward trend, similar to the trend for weighted average carbon intensity.

The 8.7 million tonnes of GHG emissions, including delegated assets, has already received a third-party certification*4.

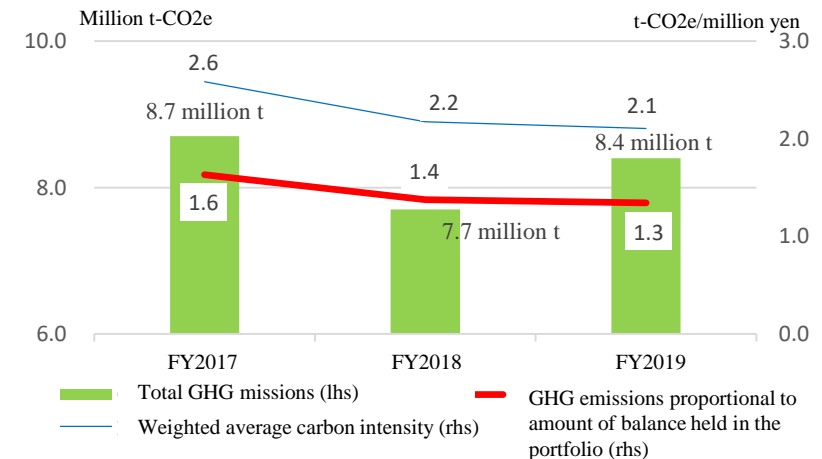
[Fiscal 2019 GHG emissions from the asset portfolio (breakdown)]

Assets	Total GHG emissions	Weighted average carbon intensity	GHG emissions proportional to amount of balance held in the portfolio
Domestic listed stocks	1.4 million t	0.87	0.84
Domestic bonds	2.1 million t	2.17	1.59
Domestic loans	3.8 million t	2.93	2.55
Overseas bonds	1.1 million t	2.56	0.60
Total	8.4 million t	2.10	1.34

Including delegated assets 8.7 million t 2.06 1.29

[Changes in GHG emissions from the asset portfolio (excluding delegated assets)]

Indicators*5	Fiscal 2017	Fiscal 2018	Fiscal 2019
Total GHG emissions	8.7 million t	7.7 million t	8.4 million t
Weighted average carbon intensity	2.58	2.17	2.10
GHG emissions proportional to amount of balance held in the portfolio	1.63	1.38	1.34



*1. When measuring GHG emissions, we use published figures and estimated data for companies provided by MSCI. In the event that no GHG emissions data is distributed, we supplement by using parent company data or average figures by industry. Please note that in the event of major retroactive adjustments to distributed data, we may be forced to retroactively adjust the results.

*2. Some funds for which a certain amount of GHG emissions data is available are covered. Consequently, we measure approximately 40% of the total delegated assets that we hold.

*3. Calculated using the balance that we held at the end of March 2020 and the GHG emissions data for investees in fiscal 2019.

*4. “Independent Third-Party Assurance Report” obtained from Sustainability Accounting Co., Ltd.

*5. Explanation for each indicator is provided on the next page.

GHG Emission Measurement Indicators, Etc.

[Indicators]

Indicators*	Formula	Outline
(i) Total GHG emissions	<ul style="list-style-type: none"> Calculate the absolute amount of GHG emissions from the asset portfolio $\sum_n^i \left(\frac{\text{current value of investment } i}{\text{issuer's market capitalization } i} \times \text{issuer's Scope 1 + 2 GHG emissions } i \right)$ <p>Note 1) current value of investment: "Fair value" for listed stocks; "Book value" for bonds and loans Note 2) issuer's market capitalization: Market capitalization + Book value of debt</p>	(Merits) <ul style="list-style-type: none"> Easy to understand as an indicator because it is an absolute amount (Demerits) <ul style="list-style-type: none"> GHG emissions increase with the increase in investment balance, so it is unsuited to tracing the quality of the portfolio
(ii) Weighted average carbon intensity (WACI)	<ul style="list-style-type: none"> Indicators that consider the efficiency of GHG emissions (relative to revenue) $\sum_n^i \left(\frac{\text{current value of investment } i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 + 2 GHG emissions } i}{\text{issuer's revenue } i} \right)$	(Merits) <ul style="list-style-type: none"> Easy to see the company's efforts since it indicates emissions relative to net sales (\approx production volumes) Able to compare between asset portfolios with the exception of some assets (Demerits) <ul style="list-style-type: none"> Net sales fluctuate greatly due to economic circumstances Difficult to grasp net sales depending on assets such as project financing
(iii) GHG emissions proportional to amount of balance held in the portfolio (carbon footprint)	<ul style="list-style-type: none"> GHG emissions divided by the current portfolio value $\frac{\sum_n^i \left(\frac{\text{current value of investment } i}{\text{issuer's market capitalization } i} \times \text{issuer's Scope 1 + 2 GHG emissions } i \right)}{\text{current portfolio value}}$	(Merits) <ul style="list-style-type: none"> Possible to conduct an assessment that excludes the impact of change in the size of the asset portfolio Able to measure a wide-range of assets such as project financing (Demerits) <ul style="list-style-type: none"> Difficult to understand emission amount per unit of production

*The above three indicators are recommended in the TCFD recommendations as (i) Total Carbon Emissions, (ii) Weighted Average Carbon Intensity, and (iii) Carbon Footprint

[Scenario analysis and annual PRI assessment]

- ✓ We conduct a qualitative scenario analysis. Please refer to our "[Sustainability Report 2021](#)" for details.
- ✓ The results of the 2021 PRI assessment have been withheld due to delays in confirmation. Please refer to [our website](#) for the 2020 results.

Participation in Initiatives

Signatory of:



- A set of investment principles launched by the United Nations in 2006 that calls for institutional investors to incorporate ESG perspectives into their investment decision-making processes.
- Sumitomo Life signed the PRI in April 2019.



- An initiative established for considering countermeasures for practical issues across industries and sharing best practices from the perspective of the development of stewardship activities.
- Sumitomo Life joined JSI in November 2019.

Climate change related



Information Disclosure

- A private sector-led task force established by the Financial Stability Board (FSB) in December 2015. In June 2017, TCFD released its final report (TCFD recommendations) providing a framework for companies' voluntary disclosure of information regarding climate-related risks and opportunities
- Sumitomo Life announced the endorsement of the TCFD recommendations in March 2019.



Action

- An initiative to seek the reduction of greenhouse gas emissions through engagement with companies (five-year project that started in December 2017).
- Sumitomo Life signed the initiative in December 2020.



Action

Information Disclosure

- An initiative to encourage major companies around the world to disclose information on climate change, water, forests, etc., and to engage in collaborative engagement. Launched in 2000.
- Sumitomo Life signed the CDP in December 2020.



Measurement

- A global partnership of financial institutions launched in 2019, working to develop and implement a standardized approach to assess and disclose the greenhouse gas emissions associated with loans and investments.
- Sumitomo Life joined PCAF as the first Japanese life insurer in September 2021.

【Pathway to achieving net zero and Related Initiatives】



Commitment

Measurement & Scenario Analysis

Target Setting

Action

Information Disclosure

In Publication of the Responsible Investment Activities Report

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- Thank you for reading our Responsible Investment Activities Report. This report replaces our Stewardship Activities Report that we had been issuing annually up until last year. This coincides with our transition to a responsible investment structure that combines our initiatives in ESG investments and stewardship activities.
- We have published this report in an effort to explain our initiatives in an open and easy to understand way to all stakeholders, including customers and investees. While we recognize that many areas still have scope for improvement, we trust this will lead to further initiatives and welcome your opinions.
- We also publish the Sustainability Report that covers our approach to the promotion of sustainability and overall initiatives, and we recommend reading both reports.

The fundamentals of our responsible investment activities

- Major features of our asset management are the “super long-term nature” of the preparation for payments in future decades and making investments as an “asset owner” using the insurance premiums and other funds entrusted to us by many customers based on our own investment decisions in principle and through dialogue and exercise of voting rights.
- Therefore, while generating returns each year is important, we consider it fundamental to see how investees’ business operation will impact their corporate value and underlying social value, including environmental aspects, through changes in cash flows and link this long-term perspective to our actions. We will make individual decisions and engage in activities based on this policy.

Decarbonization initiatives through dialogue and finance

- We have recently set 2030 interim targets for the portfolio, aimed at realizing net-zero GHG emissions by 2050. Pillars of our initiatives are:
 - 1) To support decarbonization initiatives of investees through dialogue and finance aligned with each company.
 - 2) To proactively promote investment in areas such as renewable energy, instead of divestment, an impediment to solving issues

We place importance on the trust of investees through dialogue and building in-depth dialogue.

We have recently become the first Japanese life insurer to join the PCAF, an international initiative aiming to standardize measurement of GHG emissions. We will promote further disclosure in light of worldwide trends.

Future responsible investment

- In terms of responsible investment, apart from decarbonization, for which global initiatives are accelerating, there are many important themes such as improving the effectiveness of governance, issues of diversity and human rights in social aspects, and enhancing initiatives for biodiversity in environmental aspects. We embed the ESG investment philosophy in all assets and aim to “stably secure returns” and “solve social issues,” that is, our purpose of “contributing to the advancement of social and public welfare” from a long-term perspective.
- We value the collaborations we have with all of our stakeholders in implementing initiatives and look forward to your continued support.



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