Task Force on Climate-related Financial Disclosures Report

2022

Aflac®
Incorporated

Table of Contents

About Aflac Incorporated

Aflac Incorporated and its subsidiaries (collectively, the "Company") provide financial protection to more than 50 million people worldwide. The Company's principal business is supplemental health and life insurance products for people who have major medical or universal coverage with the goal to provide customers the best value in supplemental insurance products in the U.S. and Japan. When a policyholder or insured gets sick or hurt, the Company pays cash benefits fairly and promptly for eligible claims. Throughout its 67-year history, the Company's supplemental health insurance policies have given policyholders the opportunity to focus on recovery, not financial stress. As a market leader in the supplemental insurance industry, Aflac Incorporated is committed to making business decisions that balance the needs of our many constituencies, including our policyholders, employees, sales force and shareholders and investors, and the communities in which we operate, while recognizing the obligation we have to the global community. Building from our 2020 commitment to be carbon neutral by 2040 (ex. Scope 3, Category 15) and net zero emissions by 2050 (across all scopes and categories), in November 2021 Aflac Incorporated became a signatory of the Principles for Responsible Investment (PRI).

Environmental, social and governance (ESG) considerations and corporate responsibility have long been integrated into the Company's values and culture and embodied in "The Aflac Way," which are the core values that the Company has relied upon to live up to its commitment to its policyholders, employees, shareholders and other stakeholders. In 2021, Aflac Incorporated was named to the Dow Jones Sustainability North America Index for the eighth year in recognition of the Company's efforts and commitment to sustainability. This mindset extends to environmental considerations, where the Company continues to work to improve its standing as an environmental steward.

About This Report

This report discusses our approach to evaluating and managing climate change risks and opportunities and is guided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The recommendations of the TCFD focus on four thematic areas that represent core operational elements, including: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets.

References

In this report, we may refer to Aflac Incorporated's businesses collectively as "Aflac" or the "Company," the Company's U.S. businesses as "Aflac U.S." and the Company's Japan businesses as "Aflac Japan." References in this report are related to year-end 2021 unless otherwise noted.

Statement on Forward-looking Information

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements.

The Company desires to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein and in any other statements made by Company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective," "may," "should," "estimate," "intends," "projects," "will," "assumes," "potential," "target," "outlook" or similar words as well as specific projections of future results generally qualify as forward looking. Aflac undertakes no obligation to update such forward-looking statements. For a discussion of assumptions, risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in the forward- looking statements, see our most recent reports on Form 10-K and Form 10-Q filed with the SEC.

Governance of Climate-related Risks and Opportunities

The Board's Oversight

Aflac Incorporated has established and maintains a robust corporate governance framework to meet the expectations of stakeholders through the appropriate oversight of the operational execution of the holding company system. This framework is referred to as Aflac's "Global Group Governance." Aflac Incorporated's direct and indirect subsidiaries in each country operate pursuant to Global Group Governance and maintain management soundness in order to continue providing products and services that are valuable to customers and earn their trust. Aflac's Global Group Governance framework ensures appropriate oversight of and cooperation between Aflac Incorporated's direct and indirect subsidiaries in accordance with U.S. and Japanese laws and regulations.

Oversight	Aflac Incorporated Board of Directors		
		Executive Committee	
	Audit and Risk Committee	Compensation Committee	Corporate Governance Committee
	Corporate Development Committee	Finance and Investment Committee	Corporate Social Responsibility and Sustainability Committee

Operational Execution	Global Executive Management Committee			
	Global Risk Committee	Global Investment Committee	Global Capital Committee	Global Operations and Technology Committee

Aflac Incorporated's Board committees play critical ESG oversight and leadership roles through their efforts to identify, promote and monitor responsible and ethical corporate governance mechanisms, corporate social responsibility and sustainability goals, ESG-related compensation programs and risk management policies that identify and assess climate-related risks.

The Corporate Social Responsibility and Sustainability (CSR&S) Committee provides guidance and oversight of the Company's sustainability and corporate social responsibility activities, including metrics and procedures to track progress toward achievement of the Company's goals. This committee is charged with monitoring and reviewing the Company's policies, procedures and practices to foster the sustainable growth of the Company on a global basis, including climate change. The CSR&S Committee also oversees all climate matters and supports the company's SmartGreen® goals and philosophy to wisely choose, use and dispose of the resources we use each day and focus on five categories: business operations, strategic sourcing and procurement, facilities management, waste management and employee management. The CSR&S Committee also coordinates with other committees of the Board on climate-related matters within their purview. The CSR&S Committee generally meets three times a year.

The Finance and Investment Committee's climate-related responsibilities include review of the strategic asset allocation and performance of investment portfolios and oversight of the Company's Global Investment Policy, investment process and policies, strategies and programs of the Company and its subsidiaries, including sustainability bonds. This oversight responsibility includes the Company's adoption of and compliance with PRI. The Finance and Investment Committee generally meets four times a year.

The Audit and Risk Committee assists with oversight of the Company's compliance with legal and regulatory requirements and oversees the Company's policies, process and structure related to enterprise risk engagement and management, which includes climate-related risks. The Audit and Risk Committee has oversight over and reviews updates to key and emerging risk including any review or assessment of climate-related risks at all levels of the Company. The Audit and Risk Committee typically meets at least nine times a year.

The Compensation Committee reviews the company's general compensation plans to ensure they promote our goals and objectives, including incorporating sustainability factors into executive compensation programs. The Compensation Committee generally meets four times a year.

The Role of Management

The highest level of management with direct oversight of climate-related issues is Aflac Incorporated's President and Chief Operating Officer (COO) who reports to the CSR&S Committee. The COO oversees, in consultation with the Company's Chief Executive Officer (CEO), how climate-related (and more broadly ESG) issues are incorporated into the Company's business strategy and leverages the work, insight and expertise of the Company's ESG Working Group (see below). The governance structure of the ESG Working Group allows the COO to remain informed about practices and approaches being taken across the Company's business to both understand the risks and opportunities the Company faces as a result of climate change, as well as the Company's areas of largest impact.

Specific climate-related responsibilities of the COO include assessing the importance of climate issues and driving the response. The COO works to ensure that the Company's climate-related actions are coordinated and aligned with the broader goals of the Company. The COO's informed understanding of the Company's business, authority to direct resources and prioritization, as well as connectivity with the Board is the reason why responsibilities for climate-related issues have been assigned to this position.

The ESG Working Group, which is comprised of employees and chaired by the COO, provides management-level oversight of climate-related issues relevant to the Company's business. The ESG Working Group consists of leadership within the Company who have responsibility for governance, enterprise risk management, investments, facilities and energy consumption, human resources, government and regulatory relations and investor relations. The ESG Working Group supports setting ESG and sustainability performance objectives, monitors implementation and performance of objectives and oversees progress made toward our environmental goals, including climate-related goals.

Aflac's Global Group Governance committee framework, which is aligned with and overseen by the Board and its committees, ensures appropriate operational execution and governance over the Company's management activities. These management committees meet quarterly.

The Global Executive Management Committee serves as an executive committee governing the overall internal management committee structure, including risk management. The ESG Working Group provides regular reports to the Global Executive Management Committee on the progress of ESG goals including enhancement of the reporting/disclosure framework with regard to climate change risks.

The Global Risk Committee reviews updates to key and emerging risks including any review or assessment of climate-related risks, and provides visibility, awareness, management and oversight at all key levels of the organization, up to and including the Audit and Risk Committee and the Board.

The Global Investment Committee provides operational governance over the Company's investment activities, which includes strategies associated with sustainable investments, and related processes to support the assessment of climate-related risks and opportunities within the investment portfolios, subject to the Finance and Investment Committee's oversight.

Management Incentives

Management governance and oversight activities also include accountability for achieving certain climate-related goals. The compensation of certain employees is linked to achieving climate-related targets.

In 2021, the Company established an ESG Modifier for its short-term incentive plan (Management Incentive Plan or MIP) for all officers across the Company, which included five objectives below. Four of these objectives are related to climate:

- Advancing the Company's efforts related to responsible investing.
- Developing a framework that both defines and sets milestones to achieve carbon neutral and net zero emissions by 2040 and 2050, respectively.
- Achieving diversity and inclusion goals in Japan by filling at least 23% of Manager or General Manager positions with women leaders and by funding at least $600 million in new investments that address economic mobility and social inequity.
- Launching an inaugural Sustainability Bond that reinforced the Company's ESG strategy.
- Advancing the reporting and disclosure framework by publishing a formal climate risk report in compliance with SASB and TCFD standards.

As part of the Company's compensation metrics, achievement of all five objectives will result in a +5% adjustment to the incentive; two or fewer objectives a -5% adjustment; or no adjustment for achieving three or four of the objectives.

Based on the achievement of all five ESG objectives in 2021, the MIP pool was adjusted positively by 5%.

A similar ESG Modifier is being utilized in the MIP for 2022 and applies to all officers, starting at the highest levels of leadership (with the CEO and the COO, as the highest management-level positions with responsibility for climate-related issues).

Strategy for Addressing Climate-related Risks and Opportunities

Climate-related Risks and Opportunities

The Company evaluates climate-related risks and opportunities over the short, medium and long term. Our evaluation of short-, medium- and long-term risks is consistent with our business strategy and financial planning cycles with short-term being less than three years and long-term being considered five years or more.

The most significant climate-related risks identified relate to reputational and market-related transition risks as well as acute and chronic physical risks. The potential impact from these risks primarily will be experienced over the long term as climate conditions evolve. However, reputational risks have the potential to impact short and medium-term periods as the Company navigates the evolving stakeholders' expectations for information and action. Below is a discussion of each of the climate risk categories and related potential impacts to the Company.

Transition Risks

Reputational - As a supplemental health and life insurance company, climate-related reputational risks are associated with how the Company communicates its climate risk management practices to its stakeholders and whether those actions are consistent with stakeholder expectations.

Market - Market risks are primarily relevant for our investment portfolio as changes in supply and demand for products and services of underlying companies that we invest in will subject the Company to potential credit losses in the event of companies cannot sufficiently adapt to changing conditions driven by transition to a lower carbon economy.

Other Transition Risks - The Company considers other transitional risk categories including current and emerging regulations, technology and legal risks, but these other transition risks currently do not represent a significant risk to the Company.

Physical Risks

Acute Physical – Acute physical risks are relevant for consideration related to our operations, investments that are backed by or related to real estate assets and our insurance products.

For operations, risks include hurricanes and other natural disasters that can cause business interruption through damaging or destroying property. Consideration for these risks is incorporated into the Company's Business Continuity Planning (BCP), which considers the impact that climate change could have on our existing contingency plans.

For investments, we consider risks to investments backed by or related to real estate assets that could be impacted by climate-related events as part of our credit underwriting process. Risks from acute physical events linked to climate change could include hurricanes, flooding or other extreme weather.

For products, we consider risks related to areas hard hit by a natural disaster, such as a hurricane, wildfires and heatwaves to assess if such events could lead to higher policy lapse rates or higher claims.

Chronic Physical – Chronic physical risks are relevant for the Company's investments and insurance products.

For investments, risks would include potential impacts to investments where the issuer's underlying businesses or assets backing the investment could be impacted by longer-term shifts in climate patterns or rising sea levels.

For products, risks would primarily relate to how climate-related conditions may impact human health over time such as the increase in occurrences of types of cancer or other adverse health effects.

Business and Strategy Impact

The Company has assessed the climate-related risks and opportunities associated with our business strategy specifically noting the impacts below that we have evaluated related to our operations, products and services, investments and supply chain. The assessment of these risks will continue over time and may change as the Company evaluates the implications of the risks and opportunities created by climate change.

Products and Services

The Company's primary products and services are life and health insurance policies that are not directly or substantially impacted by climate change based on our current assessment of recent experience. As a result, the Company's product and services strategy has not been directly influenced by climate- related risks or opportunities. However, we acknowledge the potential for climate risk to have a negative impact on human health that could adversely impact our claims over time. We continue to evaluate implications on our business and products from climate-related risks.

Investments

Climate-related risks and opportunities are becoming an increasingly important consideration of the Company's investment portfolio activities. The impact of these activities is expected to occur over time as our portfolio evolves to reflect our progress toward meeting our carbon neutral and net zero emissions targets. The portfolio will also evolve to reflect the management of asset allocation to sectors with elevated climate-related risks. These factors, along with other portfolio management considerations will influence our investment strategy over the short, medium and long term.

The Company recognizes that an active and responsible approach to managing climate-related issues is a factor that can impact financial performance, particularly over the longer term. The primary objective of Aflac's investment strategy is to fulfill its fiduciary responsibility to invest assets in a prudent manner in order to meet present and future policyholder obligations and to realize an appropriate risk-adjusted, long-term financial return on invested assets. The Company designs its investment strategies to meet the foregoing objectives within specific risk management limits and practices, including asset quality, diversification and liquidity. We consider the impact of climate change and ESG considerations among the factors assessed in evaluating and monitoring investment risks and opportunities. Our portfolio holds investments diversified across multiple sectors that may be affected by the physical and transition risks of climate change.

The Company has adjusted its investment strategy to seek investment opportunities to support an orderly transition to clean energy policies that also consider the energy needs and climate risks around the globe. The Company has increased investment in cleaner energy companies and projects, including 100% renewable power generation in Japan and globally. In 2021, the Company partnered with an external manager to build a sustainable infrastructure debt strategy. The Company has taken other steps to diversify the portfolio to take advantage of climate-related opportunities, including over $3 billion in sustainable and DEI investments as of December 2021. We expect to continue investing to support climate change-related initiatives as more opportunities and innovations associated with the transition to a lower carbon economy develop.

Supply Chain

ESG considerations, including those related to climate change, have influenced the Company's value chain strategy for procurement practices. Specifically, the Company is expanding supplier engagement and data captured to provide more transparency in climate-related information from suppliers. The Company continues to build capabilities and expects to cover major business units by the end of 2022. Supplier engagement over time will create a better understanding and ability to influence supplier behaviors or changes in suppliers to support the Company's progression toward carbon neutral and net zero emission targets.

Operations

Climate-related risks and opportunities have an indirect impact on the Company's business operations in relation to the Company's drive toward digitalization, energy efficiency and renewable energy.

To respond to climate risk as well as evolving customer and workforce preferences, the Company is strengthening its business resiliency with enhancements in digital capabilities to reach and continue to support customers. For example, remote work procedures implemented during 2020 are being established for the longer term to ensure that employees can continue working and customers' needs are met. Enhancements made to our digital capabilities provide opportunities to reach consumers as employers adapt to the new normal and an increasing number of employees continue to work remotely. Digital capabilities are also expected to have a positive impact on the Company's carbon footprint with regard to commuting, business travel and use of office facilities.

The Company is taking steps to reduce energy consumption at its facilities by conducting energy efficiency measures and increasing the use of renewable energy to meet the Company's near-term emission reduction targets and longer-term targets as described herein. In 2021, the Company continued the installation of a 1.3MW solar array at the U.S. campus that was completed in 2022 and the Aflac Square building in Japan switched its electricity use to 100% renewable energy sources in March 2021.

Financial Planning Impact

As a supplemental health and life insurance company, the Company has not yet identified climate- related risks and opportunities with a substantive impact on our financial planning. Certain impacts are considered in our financial planning such as operational investments in renewable energy to support emission reduction goals but such impacts do not have a significant impact on our financial planning results. We would expect future additional considerations, including investment asset allocation, to support our carbon neutral and net zero transition plans. The Company monitors emerging risks and opportunities so, should they become more substantive, they can be specifically factored into the financial planning process.

Strategy Resilience

As a supplemental health and life insurance company, our primary climate-related risks are related to our reputation, investment portfolio and insurance products. These risks are currently assessed as part of our ongoing risk management processes for adverse conditions or changes where climate-related risks represent a subset of risks or factors that could impact our performance. While we recognize the importance of climate-related scenario analysis and plan to incorporate that into our strategy in the future, we are not expecting such an assessment will have a meaningful impact on our near-term strategy that would not otherwise be captured as part of our on-going processes and therefore, have not incorporated climate-related scenario analysis at this point.

Managing Climate-related Risks and Opportunities

Risk Identification and Assessment Process Enterprise Risk Management Process

The Company integrates climate risk into its enterprise risk management process by utilizing a risk assessment matrix (that includes emerging and climate-related risks) to determine risk ratings for each enterprise risk as critical, high, medium and low based on five impact and likelihood categories.

The Company defines substantive financial or strategic impacts as anything that would correspond to a high or critical risk rating using our enterprise risk assessment matrix. The risk rating matrix considers both quantitative and qualitative factors and classifies risks across five impact levels (minor, moderate, adverse, major and extreme) and five likelihood levels (rare, unlikely, possible, likely and frequent) to determine the risk ratings (low, medium, high, critical).

High-risk ratings reflect the following combinations of impact-likelihood levels: Extreme-Unlikely, Extreme-Possible, Major-Possible, Major-Likely, Adverse-Likely, Adverse-Frequent and Moderate- Frequent. High-risk ratings represent financial impacts on adjusted earnings of $100 million or more, or major disruption in strategic objectives with a likelihood of occurrence that is one in twenty years. Additional combinations of increased likelihood and lower impact could also result in a High-risk rating.

Critical-risk ratings reflect the following combinations of impact-likelihood levels: Extreme-Likely, Extreme-Frequent and Major-Frequent. Critical-risk ratings represent financial impacts on adjusted earnings of $100 million or major disruption in strategic objectives with a likelihood of occurrence that is one or more times in two years.

As part of the risk assessment process, the Company conducts ongoing and annual risk assessments, taking both a top-down and bottom-up approach. The risk identification process requires that business units evaluate risks and identify potential emerging risks (including climate risks). Additionally, questionnaires are sent to business units to proactively identify any emerging risks (including emerging climate risks) with the potential to substantively impact the business. Emerging risks are viewed from both an internal and external perspective (e.g., macro-economic, geopolitical, industry level) and from internal surveys facilitating feedback from Aflac personnel across business units. The objective is to understand whether identified risks will have an impact on the organization's objectives. This process ensures that the perspective of all business units and geographies are being considered on the global, Company-wide level.

After risks have been identified, the risk management team undertakes a filtering process using the Company's risk matrix to determine the most substantive risks. Risks are then assessed to consider whether the identified risk is already being mitigated and the residual impact and likelihood to determine the residual risk rating (after considering management actions) for each risk identified, including climate risks.

In addition to our overall risk management processes to identify risks, we also periodically assess climate-related risks and undertake further analysis to evaluate those risks. The Company has performed an assessment of climate risk noting the most significant areas of potential climate risks related to our reputation, products and investments.

Climate-specific Risk Assessment Processes

Reputation

The Company's stakeholder engagement helps the Company identify and address key climate-related risks and opportunities, while also taking environmentally friendly and prudent business actions that protect and strengthen its brand reputation. The Company has a risk that key stakeholders may expect or demand certain actions to be taken related to climate change. Lack of action or disclosure of climate-related impacts could lead to a significant financial or strategic impact. The Company believes that this risk is mitigated significantly by management actions regarding emissions targets and commitments to carbon neutral and net-zero emission goals. With increased regulatory, legislative, investor and consumer expectations surrounding sustainability, the Company's inability to achieve our emissions reduction goals (as described in Carbon Neutrality and Net Zero Emissions Goals below) could negatively impact our brand and reputation. These potential negative impacts on our brand and reputation could result in adverse impacts to our ability to attract talent and to execute upon the Company's strategy, including any strategies requiring regulatory, legislative and investor support.

Investments

The Company considers both impact and potential exposure to climate change alongside many factors in the assessment of individual investments and industry sectors. This assessment of risk is critical in underwriting investments in any specific security issuer to understand the entity's exposure to specific environmental issues and is informed by materiality considerations. The Company's approach is periodically reviewed and refined to incorporate the latest industry and market practices.

To assess climate-related risks for internally managed investments, the Company reviews, by utilizing available resources, each issuer's ESG considerations, including, but not limited to, the specific industry of the issuer to assign an internal ESG score to each investment. Available resources may include an issuer's internally generated reporting on ESG and sustainability, SEC filings, sell-side research, financial press, third-party recognition, CDP submissions, RE100 commitments, as well as third-party assessments. As it relates to climate-related risks, including physical and transition risks, the Company's proprietary ESG scoring incorporates factors such as the investee's carbon footprint, efforts to improve their operations' impact and the environmental impact of their specific products. These scores reflect the Company's judgment on how these factors could impact the issuer's overall business and financial condition on aspects such as reduced revenue, increased costs, the potential for regulatory action including sanctions, fines or shut-downs, lawsuits, reputational risk, industry dynamics including relative competitive positioning and other factors. We include the ESG score as a consideration of the overall credit underwriting process as well as a consideration included in the periodic monitoring of the investment.

To assess climate-related risks for externally managed investments, the Company uses ESG questionnaire responses along with other due diligence responses to select external managers. ESG- related processes and assessments are reviewed to ensure ESG and climate-related issues are included in the selection and periodic monitoring of investments.

The Company's external managers, as part of their standard credit underwriting processes, may assess ESG factors for prospective issuers, including issuers' internal ESG policies and climate-related factors such as GHG emissions. Physical risks due to climate change are incorporated during the assessment of our commercial real estate investment portfolio. For example, the Company's external managers consider the risk exposure of potential investments to sea level rise as part of their credit underwriting.

We continue to evaluate external tools and climate stress testing scenarios prescribed by regulators to inform potential impacts of climate risk on our investment portfolio, recognizing the limitations in the existing approaches. While we consider ESG-related risks, including climate risks, in our overall assessment of credit risk for issuers, we have not specifically quantified the potential impact of climate- related risks on our portfolio. Our most significant risk would likely be related to a scenario in which there is a disorderly transition to a lower carbon economy that would significantly impact issuers in high emission sectors or businesses due to the inability to adapt their business model. Longer-term or orderly transition risks are less likely to have a significant impact as our current portfolio of investments would mature over time and be replaced with investments that would consider the then-current business profile and expected transition risks to the issuer.

Physical risks are less likely to have a significant impact on our current portfolio given the relatively short remaining life of most real estate-backed investments and low likelihood of acute physical risks creating significant, uninsured losses in the near term on those investments. We will continue to evaluate ways to more specifically quantify climate-related risks on our portfolio to further refine our assessment of this risk.

Products

As discussed above, we have identified both acute and chronic physical risks as primary risk categories that could impact our products. The Company has processes in place to assess possible trends that might impact our policyholder claims and/or persistency experience compared to original expectations based on our product underwriting and pricing targets.

The Company has undertaken specific climate-risk-related assessments of acute physical events and impacts on persistency and claims. We have assessed risks related to areas hard hit by a natural disaster, such as a hurricane, wildfires and heatwaves to assess if such events could lead to higher policy lapse rates or higher claims. The Company has not found that climate change is significantly affecting policyholder lapses or human health (acute physical risks) related to the types of insurance that the company issues. We will periodically perform these assessments to help identify any climate- related risk trends connecting acute physical events that might not be evident in the evaluation of broader claims or persistency trends.

For chronic physical risks, there are a few product areas that the Company currently recognizes may be susceptible to physical risks from climate change in the future. The first is the Company's cancer insurance. The Company recognizes that if climate change increases the incidence of certain types of cancer such as those related to sun exposure or environmental pollution, the underwriting approach or pricing of our products may need to change. Another area of potential impact from climate change on our products is the increased prevalence of novel viruses, which in the future could be exacerbated by or present in wider geography due to climate change. Additionally, climate change could increase the occurrence of certain natural disasters in the future. Impacts from these natural disasters could result in higher policyholder lapse or increased claims from adverse health effects over time related to policyholders in the impacted areas. While climate change may result in adverse health impacts that could negatively affect our claims over time, medical advancements in early detection and treatment of cancer and other illnesses may mitigate some or all of these impacts from climate change over time.

While we recognize chronic physical risks may exist related to our products, we do not currently have a reliable way to specifically measure or assess the impacts on our products. We continue to evaluate external studies that link climate change to adverse health impacts to assess potential ways to quantify the potential impacts to our supplemental life and health insurance products. In many cases with these external studies, adverse health effects are broadly captured across populations where more vulnerable populations are most impacted, which is less likely to be a significant part of our policyholder demographics. When developing a product, the Company incorporates contingencies such as the consideration of stress assumptions for claims and persistency when pricing products. These stress assumptions are not necessarily explicit to climate change but provide resilience to unpredictable events. We would expect adverse impacts from climate change to be within the existing stress parameters used for product pricing but will continue to evaluate external and internal data as we monitor trends in this risk going forward.

Risk Management Process

Reputation

The Company has processes to continually engage with key stakeholders- both internal and external - to identify various risks and opportunities, including those related to climate, that can be incorporated into the Company's risk management process and strategic plans. This process includes regular engagement of shareholders and their stewardship teams, as well as regular meetings of the ESG Working Group at the management level and the CSR&S Committee of the Company's Board of

Directors where actions related to climate-related risks are discussed. The Company's stakeholder engagement approach ensures that the Company can identify and address the key climate-related risks and opportunities, while also protecting and strengthening its brand reputation through environmentally- friendly and prudent business actions. This approach is consistent with "The Aflac Way," which emphasizes doing the right thing on behalf of customers, investors, employees and all stakeholders. The Company also strives to offer clear information to stakeholders on its climate-related commitments, targets and actions on its Sustainability site, including the Business and Sustainability Report.

These processes and monitoring of progress toward our commitments provide insights into changes in the reputational risks facing the Company and any actions to be considered to reduce our risk in the future.

Investments

Risk management of the investment portfolio includes diversifying its investments by asset class, sector, single issuer and other portfolio construction characteristics specific to each asset class. For example, with respect to investments exposed to physical climate-related risks, the Company's approach includes diversification by geography and by underlying property type and revenue sources.

For internally managed credit investments, the Company's ongoing credit risk monitoring processes, including internal ESG scores, evaluates changes in specific issuers and sector exposures that may give rise to mitigating actions to be taken.

The Company's risk management process for its externally managed investments includes periodic screening of specialty external asset managers for their ESG investing and portfolio management practices. Certain of these externally managed mandates include the Company's sustainability investments, such as sustainable infrastructure debt and equity, and commercial real estate lending secured by green buildings, typically carrying LEED or Energy Star certification. For the ongoing monitoring, the Company uses its Annual Due Diligence Questionnaire to assess the status of and changes in the external manager's ESG-specific policies and procedures, including risk management policies.

More generally, the Company's portfolio management decisions also consider the Company's current exposures relative to concentration limits such as asset classes, sector and credit ratings limits. While these limits do not have specific considerations for climate-related risks, the relative risk considerations and differentiation in performance used to develop the limits may implicitly include certain climate- related risk considerations.

Products

The Company has not identified any climate-related risks and opportunities that directly impact product underwriting or pricing. However, the Company continuously analyzes data and global trends for a possible indication that new impacts, including those related to climate change, could influence our supplemental health and life insurance offerings. This analysis process considers all components that could influence the product underwriting process, regardless of scale. Therefore, if in the future, climate-related risks and opportunities have a larger impact or trends arise that demonstrate the influence of these risks and opportunities on the supplemental health and life insurance industry, the Company is in a position to incorporate these considerations into the underwriting and pricing process. It is also important to note that the long-term nature of any morbidity risk needs to take into account natural advances in medicine such as screening, detection, treatments and cures as well as potential adverse impacts from climate change or other factors.

Risk Integration Process

As described above, the management of the significant areas of risk is integrated into the related processes of the organization to identify, assess and manage climate-related risks as they continue to evolve.

Climate-related Metrics and Targets

Metrics

The Company's metrics currently used to assess climate-related risks and opportunities relate to emissions data for the Company as those data points directly tie into the Company's targets discussed below. These metrics are part of our near-term and long-term targets to demonstrate the Company's efforts to reduce our carbon footprint. We continue to evaluate relevant, reliable and comparable metrics for other climate-related risks and may add additional interim and long-term metrics over time.

The Company also has certain metrics described in the Management Incentives section that provides linkage of management compensation with achievement of certain critical path ESG objectives, including climate-related objectives.

Scope 1, Scope 2, Scope 3 GHG Emissions

The Company engaged a third party to review and provide limited assurance on the greenhouse gas emissions for its 2021 Scope 1, Scope 2 and five categories under Scope 3, representing 96% of calculated Scope 3 emissions. The table below provides 2021 Scope 1 and 2 GHG emissions information.

SCOPE 1 & 2 EMISSIONS ($mtCO_2e$)[1]	
Scope 1 – Aflac U.S. includes 182 $mtCO_2e$ of direct emissions from the use of biofuel	2,038
Scope 2 (Market-Based)[2]	0
Scope 2 (Location-Based)	8,163
Retired Carbon Offsets	2,038
NET EMISSIONS Scope 1 + Scope 2 (Market-Based)- Retired Carbon Offsets	0

[1] Metric tons of CO_2 equivalent.
[2] The Company used 23,275 MWh of electricity and purchased RECs and J-Credits to offset its purchased electricity.

The Company's GHG emissions include all direct (Scope 1) and indirect (Scope 2) emissions generated from all company-owned locations, which are all located in the United States and Japan and indirect (Scope 3) GHG emissions.

The below table includes Scope 3 calculated emissions and indicates which categories are considered relevant and if they received assurance.

Category	Why category is relevant	Assured	Metric Tons ($mtCO_2e$)
1. Purchased goods and services	These are emissions associated with the products and services purchased.	Yes	192,678
2. Capital goods	These are embedded emissions with the capital goods purchased.	No	3,727
3. Fuel-and-energy-related activities (not included in Scope 1 or 2)	These are emissions associated with production and distribution of purchased electricity.	No	3,507
5. Waste generated in operations	These are emissions generated through the disposal and treatment of waste generated in on-site operations.	Yes	153
6. Business travel	These are emissions generated from traveling for business-related activities.	Yes	3,072
7. Employee commuting	The Company generates emissions through staff commuting and from remote working.	Yes	2,809
8. Upstream leased assets	The Company leases assets that generate emissions.	Yes	8,733
9. Downstream transportation and distribution	Transportation of mail and promotion goods shipped generates emissions.	No	2,073
15. Investments	The Company holds financial investments that generate emissions.	No	Piloting Financed Emissions methodology
		Total	**216,752**

The above table includes all Scope 3 categories where the Company had emissions and excludes categories where the Company had zero emissions. Categories with zero emissions are Upstream transportation and distribution (Category 4), Processing of sold products (Category 10), Use of sold products (Category 11), End-of-life treatment of sold products (Category 12), Downstream leased assets (Category 13) and Franchises (Category 14).

Targets

Greenhouse Gas Reductions and Goals

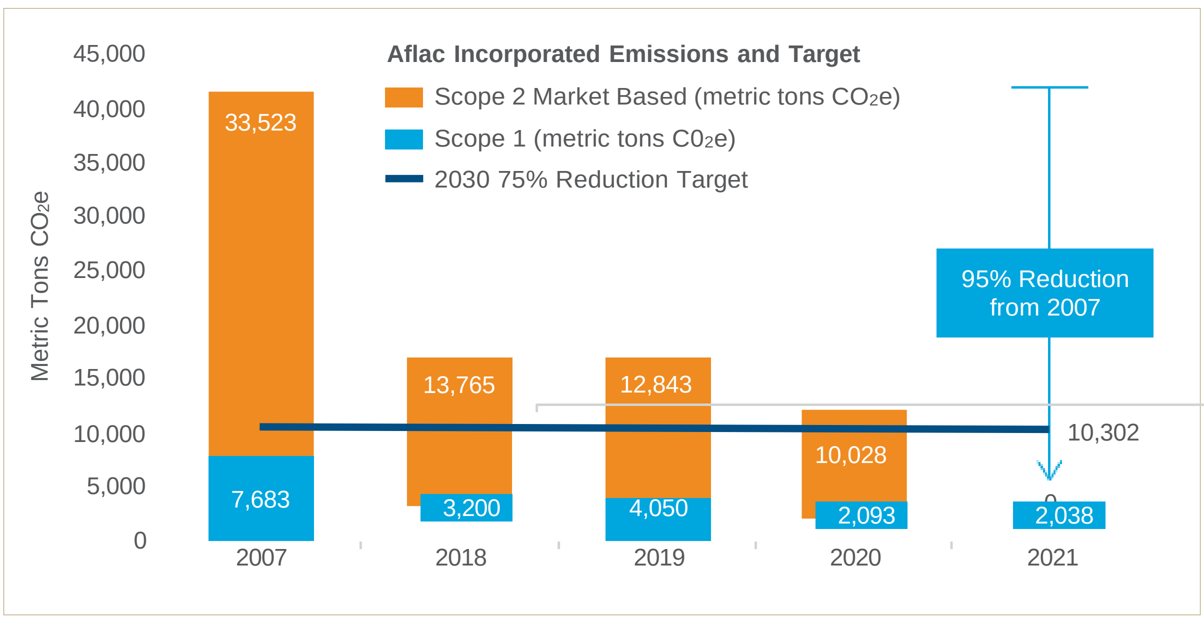
Aflac is committed to meeting the following greenhouse gas reduction goals:

- Scope 1 and Scope 2 emissions 75% reduction by 2030.
- Carbon neutrality goal by 2040 (excluding Financed Emissions - Scope 3, Category 15).
- Net-zero emissions by 2050 (including Financed Emissions - Scope 3, Category 15).

Scope 1 and Scope 2 Emission Reduction Goals

Aflac Incorporated has established greenhouse gas emissions goals for Scope 1 and Scope 2 emissions. As detailed below, progress toward the company's reduction targets is driven by incremental reductions in the Company's Scope 2 emissions from improvements in building energy efficiencies; lighting, heating, ventilation and air conditioning upgrades; expansion of onsite renewables and purchase of renewable electricity; renewable energy credits; and J-Credits. The goals established represent commitments related to Aflac U.S. and Aflac Japan to reduce Aflac Incorporated's Scope 1 emissions and Scope 2 market-based emissions by 75% by 2030 compared to Aflac Incorporated's 2007 base year.

See chart below for composition of Aflac Incorporated's 2030 absolute target to reduce Scope 1 and Scope 2 market-based emissions by 75%.



Target for 2030 includes 100% of Aflac U.S. and Aflac Japan Scope 1 emissions and includes 100% of Aflac U.S. and Aflac Japan Scope 2 market-based emissions. Total 2007 Scope 1 and Scope 2 market-based emissions were 41,206 metric tons CO_2e and total 2021 Scope 1 and Scope 2 market based emissions were 2,038 metric tons CO_2e. This is a 95% reduction from base year emissions.

The above chart shows that Aflac Incorporated achieved its 2030 target well ahead of schedule. Reductions in 2021 emissions were primarily the results of purchasing renewable energy credits and J-Credits to reduce Scope 2 emissions, resulting in zero Scope 2 market-based emissions. By 2030,

Aflac Incorporated intends to only use renewable electricity in its owned and operated properties. Other actions that led to declines in emissions include continued impacts from the COVID-19 pandemic including reduced electricity and energy consumption in offices (Scope 2) in addition to the replacement of gas-burning equipment with more efficient equipment (Scope 1). Aflac Japan replaced the old gas-burning equipment with new, highly efficient electric equipment, and switched all electricity used to renewable energy. As a result, Aflac Japan achieved the goal of reducing CO_2 emissions significantly ahead of schedule. Aflac U.S. decreased nonrenewable electricity purchased by 6.9% compared to 2020 and purchased 18,382 renewable energy credits (RECs) with a zero emissions factor.
The REC purchase represented a significant portion of Aflac U.S.'s reduction in Scope 2 market-based emissions.

Carbon Neutrality and Net Zero Emissions Goals

To be a responsible steward of the planet, Aflac is committing to a carbon neutrality goal by 2040 (excluding Financed Emissions - Scope 3, Category 15). In addition, the Company is committed to net zero emissions by 2050 that include Scopes 1, 2 and 3 (including Financed Emissions - Scope 3, Category 15). This net-zero climate commitment will require a comprehensive and transparent approach to both defining Scopes 1 through 3 emissions and developing a formal plan to meet our commitments. Therefore, we will provide appropriate reporting and hold ourselves accountable along the way.

The Company was carbon neutral for our Scope 1 and Scope 2 market-based emissions in 2021. We attained this by first reducing greenhouse gas emissions from our facilities through the installation of on-site solar capacity at limited locations, investments in energy efficiency and other emissions-reduction practices. All of the residual emissions were offset by buying carbon offsets, renewable energy credits and J-Credits.

During 2023 the Company intends to advance its capabilities to be able to report on its financed emissions, while recognizing industry challenges given data availability and the still-evolving industry methodologies for comprehensive calculation of Scope 3, Category 15 emissions (investments).

Contact

Investors may learn more about Aflac Incorporated and its commitment to ESG and social responsibility, including our latest Business and Sustainability report as well as CDP survey response, at investors.aflac.com under "Sustainability." We invite you to contact us with questions or requests for more information about this report at ESG@aflac.com.

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