

Sompo Holdings

Response to Recommendations of the TCFD

<URL> <https://www.sompo-hd.com/en/csr/materiality/topic2/>

I . Implementation of SOMPO Climate Action

The Sompo Group has identified “contributing to a greener society where the economy, society, and environment are in harmony” as a key management theme (Materiality) that must be addressed to realize SOMPO’s Purpose. To address this priority issue, in our Mid-term Management Plan, which started in FY2021, we identified “adaptation,” “mitigation,” and “contribution to societal transformation” as “SOMPO Climate Action,” which takes a composite approach to climate-related risks and opportunities, and we are now in the process of executing various related initiatives.

To make Climate Action a reality, we established basic policy to engage in four actions: formulate and execute a Green Transition Plan, strengthen our governance, upgrade climate risk framework, and create climate-related business opportunities, based on an analysis of the potential risks and opportunities posed by climate change to the Group and other factors. Accordingly, we will focus on the following initiatives.

1. Formulate and Execute a Green Transition Plan

The goal of our Group is to achieve net-zero greenhouse gas (GHG) emissions by 2050, including our underwriting operations and our investee and borrower companies. To this end, the entire Group is promoting the following actions.

[Initiative 1] Initiative to achieve interim greenhouse gas (GHG) reduction targets of investee and borrower companies

In addition to the target set in FY2021 to achieve net-zero GHG emissions for the entire value chain -- including investee companies -- by 2050, in May 2022 we set a target of 25% reduction by 2025 (compared to FY2019, based on total GHG emissions of equities and bonds) as an interim target for reducing the GHG emissions of our investee companies. As specific measures, we are promoting a green transition by strengthening engagement with the top 20 greenhouse gas (GHG) emitting companies among our equity holdings, and we are promoting a switch from high GHG emitting sectors to low emitting sectors when public and corporate bonds reach maturity in order to reduce transition risks and capture opportunities.

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[Initiative 2] Contributions through underwriting/investment and loan

The Sompo Group considers sustainability to be the driving force behind long-term value creation, and makes decisions regarding insurance underwriting, investments and loans, and business activities based on the basic concept of its Purpose.

Policy for ESG-related Underwriting, Investment and Lending

In particular, with regard to contributions to energy transition, which is an essential part of the transition to a green society, we have established the following underwriting, investment and loan policies, and are moving forward with related implementation initiatives.

- We will not underwrite new insurance or make new investments in or loans for new or existing coal power plants or thermal coal mine projects (*1)
- We will not underwrite new insurance or make new investments in or loans for oil and gas extraction projects in the oil sands or the Arctic National Wildlife Refuge (ANWR)
- We will not insure or make investments or loans to companies that rely on coal for more than 30% of their income or that use coal to generate more than 30% of their energy (*2), or companies that involve in oil and gas extraction projects in the ANWR, unless they establish a GHG reduction plan by January 2025 (*3)

(*1) We may carefully consider and respond to cases where there are innovative technologies such as Carbon Dioxide Capture, Utilization, and Storage (CCS, CCUS) and ammonia co-firing in place that are expected to reduce GHG emissions and contribute to the realization of the Paris Agreement.

(*2) Defined as companies that derive at least 30% of their revenues from coal-fired power generation, thermal coal mines, or oil sands, or companies that generate at least 30% of their energy from coal.

(*3) We will not apply restrictions to insurance that supports the health and wellbeing of individual employees, e.g., workers' compensation insurance.

[Initiative 3] Initiative for societal transformation

Various organizations and groups around the world are actively discussing the formulation of regulations and guidance to realize a net-zero society. In 2021, the Sompo Group became the first Asian member of the PCAF Insurance-Associated Emissions Working Group, which was established by the Partnership for Carbon Accounting Financials (PCAF), an international initiative that develops methods for measuring GHG emissions through financial institutions'

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investment, loan, and underwriting portfolios. In 2022, we became the member of the Glasgow Financial Alliance for Net Zero (GFANZ), a global alliance of financial institutions aiming to achieve net zero GHG emissions by 2050. By proactively participating in and leading these rule-making efforts, the Group will not only contribute to societal transformation but also seek to create and expand business opportunities for the Group, such as attracting partners by accumulating knowledge and enhancing our reputation through these efforts.

2. Upgrading the Climate Risk Framework

Sompo Holdings has long been committed to practicing Enterprise Risk Management (ERM) in accordance with the Sompo Holdings Group Basic Policy on ERM. The ERM has two aspects: risk-taking (proactive) for strategy execution and risk control (protective) for the stability of the business foundation. For effective risk control, the Sompo Group aims to minimize unexpected losses and stabilize profits using frameworks that identify, analyze, and evaluate the diverse risks that the Group faces. We have attempted to apply risks arising from climate change to these risk control systems such as framework for material risk management. But we decided to develop a new risk framework for climate change risk in 2022 because of some difficulties; 1) climate change risks are long-term in their impacts and highly uncertain, 2) those impacts extend well beyond increased severity of natural disasters and 3) existing risk framework which works mainly for insurance business might miss identifying risks and/or cause delay in response. This new framework complements our existing risk control system by identifying, assessing, and managing risks resulting from long-term climate change. Through this framework, we work together with Sompo Japan Insurance Inc. and other group companies for analysis and assessment for climate change risks, and strive to understand risks.

II . Disclosure of our Climate-Related Measures Based on the TCFD Recommendations

1 . Governance

(1) Role of Board of Directors

Based on SOMPO's Purpose (With "A Theme Park for Security, Health and Wellbeing," create a society in which every person can live a healthy, prosperous and happy life in one's own way), we have identified "contributing to a greener society where the economy, society and environment are in harmony" as one of our material issues for achieving our Purpose. The Board of Directors is responsible for setting Group-wide strategies and policies, as well as supervising the execution of operations by senior vice presidents and executive officers in order to fulfill SOMPO's Purpose.

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(2) Role of senior vice presidents and executive officers

The Group Chief Sustainability Officer (CSuO) is responsible for formulating and implementing strategies related to the Group's sustainable management, including climate change, and overseeing the Group's overall sustainability function.

We have established a Group-wide sustainability promotion system by establishing a Group Sustainable Management Committee, chaired by the Group CSuO and consisting of Chief Sustainability Officers (including general managers of sustainability) and CSOs(Chief Strategy Officer) at each Group company, to discuss how to respond to climate change-related risks and

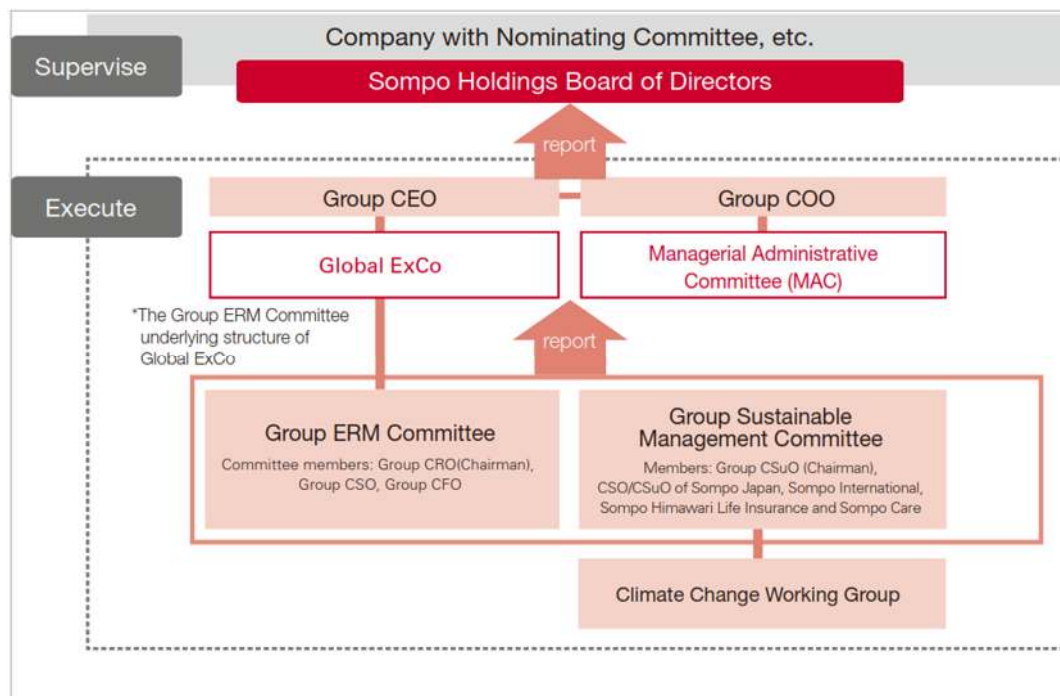
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opportunities, and to support the Group CSuO's decision-making process. In addition, we established the Sustainable Management Office to support the execution of the Group CSuO's responsibilities.

Climate change strategies and their implementation status are discussed and reported at the Global Executive Committee (Global ExCo) and the Managerial Administrative Committee (MAC), and discussions are reported to the Board of Directors on a quarterly basis.

In addition, the Group has established a risk control system to manage risks based on the Sompo Group Basic ERM Policy established by the Board of Directors. Through the Group ERM Committee, a subcommittee of the Global ExCo, which is an advisory board to the Group Chief Executive Officer, the Group Chief Risk Officer (CRO) comprehensively identifies and evaluates the risks to each business, designates risks that may have a significant impact on the Group as material risks, and periodically reports the state of risk management to the Board of Directors and the MAC to verify its effectiveness.



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2. Strategy

(1) Climate-related risks and opportunities

In addition to physical risks such as the increased severity and frequency of natural disasters, droughts, and chronically rising sea levels due to climate change, transition risks may arise as a result of changes in industrial structures and markets brought about by strengthening of laws and regulations and development of new technologies for the transition to a carbon-free society that could affect corporate finances and reputations. These risks are accompanied by an increasing number of climate change lawsuits globally, particularly in the US, that seek to hold companies legally liable for the impact of climate change resulting from their business activities, investments in highly carbon-intensive businesses, and improper disclosure. Such lawsuits may increase liability insurance payouts in our P&C insurance business (liability risk). On the other hand, the growing societal awareness of natural disaster risks and changes in may bring business opportunities such as the creation of new service demands and technological innovations.

We have identified the risks and opportunities coverage of the entire value chain that climate change poses to our business based on the results of studies conducted by external organizations such as the Intergovernmental Panel on Climate Change (IPCC) and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and we are assessing, analyzing, and responding to such risks and opportunities on a short-, medium- (5-10 years: around 2030), and long-term (10-30 years: around 2050) time horizon. The main environmental changes associated with physical and transition risks due to climate change, as well as risks and opportunities that are expected to have a significant impact on the Group, are shown in the table below and are continuously reviewed in light of changes in the internal and external environment.

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environmental change		Impact on our company	Risk	Opportunities
Physical	Acute	• Heat waves, extreme humidity		
		• frequency of floods, typhoons and hurricanes, change in intensity		
	Chronic	• Drought, increased wildfires		
		• sea level rise		
		• increase in average temperature		
		• ocean acidification		
		• desertification		
		• Deforestation, biodiversity impacts		
		• increased immigration, market instability, Populism and the collapse of the state		
	Transition	• Renewable energy and energy conservation		
		• Promotion of association		
		• Subsidies (EV purchases, energy efficiency improvement etc.)		
		• Reparations, changes in laws, new a legal interpretation		
		• advances in storage technology and infrastructure		
		• Renewable energy and energy conservation		
		• Development of new technologies		
		• Investors in environmentally friendly companies and consumer preferences		

Climate risks are assessed on short/medium- and long-term time horizons. See the Risk Map in the Risk Management section for key results.

(2) Scenario analysis

A. Physical risks

The Group's P&C insurance business could be financially affected by higher-than-expected insurance payouts due to the increased severity and frequency of natural disasters, including typhoons, floods, and storm surges. In 2018, we started working with universities and other research institutions to quantitatively grasp risks based on scientific findings. Based on large-scale analysis using weather and climate big data, such as the Database for Policy Decision-making for Future Climate Change (d4PDF) , we are working to understand the long-term impacts of a climate with higher average temperatures with respect to changes in the average trends for storm surges affected by typhoons, floods and sea level changes and trends in the

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occurrence of extreme weather events. We are also analyzing and evaluating the medium-term impact over the next five to ten years and incorporating this information into our business strategies.

The Group is a member of the TCFD insurance working group of the United Nations Environment Programme Finance Initiative (UNEP FI) and estimates the impact related to typhoons using a quantitative model based on the guidance issued by the working group in January 2021. We will continue our analysis using the scenario analysis framework being developed by the Network for Greening the Financial System (NGFS), which works on financial regulatory responses to climate change risks.

Estimate results

Frequency of typhoons	approx. -30% to +30%
Amount of damage per typhoon	approx. +10% to +50%

We are also analyzing the impact of climate change on natural disasters outside Japan, including US hurricanes and floods, through partnerships with external risk modeling companies and research institutions. We have developed our own scenarios and are working to apply them to our risk model for natural disasters outside Japan.

*1 Database of climate simulations developed by Japan's Ministry of Education, Culture, Sports, Science and Technology's Program for Risk Information on Climate Change. By using a number of ensemble simulations, future changes in extreme events such as typhoons and heavy rains can be evaluated stochastically and with greater accuracy. The results will enable more reliable assessments of the impact on society of natural catastrophes caused by climate change.

*2 Model that captures changes in the frequency and wind speed of typhoons between now and 2050 based on the RCP8.5 scenario used in the IPCC Fifth Assessment Report (AR5), and calculates changes in the amount of damage caused.

P&C insurance and reinsurance policies are mainly short-term contracts, and by reviewing underwriting conditions and reinsurance policies in light of trends in the occurrence of

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Scenario	Summary
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increasingly severe

weather events, we can limit the risk of higher-than-anticipated claims payments. In addition, we ensure resilience to physical risks through a multifaceted approach that includes global geographic diversification, quantification based on short- and medium-term climate forecasts, and identification and assessment of major risks through long-term scenario analysis.

B. Transition risks

To understand the medium- to long-term impact of the transition to a decarbonized society on our company, we analyzed the impact on our Group's assets using the Climate Value-at-Risk (CVaR) provided by MSCI for policy risks arising from tighter laws and regulations and global economic changes that will affect companies in the transition to a decarbonized society and technology opportunity arising from climate change mitigation and adaptation initiatives, based on the NGFS scenarios in the table below.

In addition, since it is important to encourage companies that have not yet made progress in decarbonization efforts to reduce transition risk, we use the Implied Temperature Rise (ITR) provided by MSCI to quantitatively analyze whether our portfolio companies have set GHG emission reduction targets consistent with the goal of limiting global warming to 2°C by FY2100.

*3 Climate Value-at-Risk (CVaR)

- One method to measure the impact on corporate value associated with climate change-related policy changes and disasters.
- The future costs and profits arising from climate change-related risks and opportunities are discounted to their present value, and the impact is calculated as of March 31, 2022, taking into account the market value weighting of each security in the Group's asset management portfolio.

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*4 NGFS (Network for Greening the Financial System) scenarios

Source: Excerpts from the Financial Services Agency's "Survey on Scenario Analysis Related to Climate Change-related Risks" report (April 2022)

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Category	Scenario	Summary
(1)Disorderly	Delayed transition	assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.
(2)Orderly	Net Zero 2050	limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia and Japan reach net zero for all GHGs.
(3)Hot House World	Current Policies	assumes that only currently implemented policies are preserved, leading to high physical risks.

Source: Excerpts from the NGFS's "NGFS Scenarios for central banks and supervisor" report (September 2022)

*5 Implied Temperature Rise (ITR)

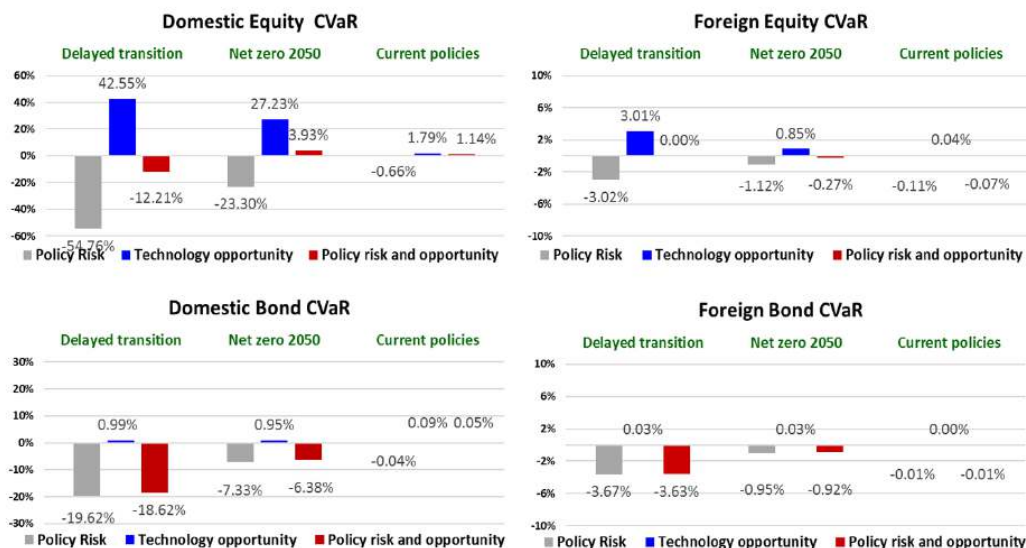
- One of the forward-looking assessment methods that evaluates the degree of likelihood of 2°C of global warming by 2100.
- The contribution to temperature rise is based on the difference between the projected GHG emissions of portfolio companies (calculated based on current emissions and reduction targets set by the companies) and the carbon budget, and is calculated as of March 31, 2022, taking into account the market value weight of each stock in the Group's asset management portfolio.
- - a. Climate Value-at-Risk (CVaR)

For each asset, the impact of the Delayed Transition (Disorderly: rapid transition to decarbonization) scenario is the largest. In the comparison by asset type, the impact of policy risk and technology opportunity is the largest for domestic equity, at -54.76% and 42.55% under the Delayed Transition, respectively. However, since policy risk and technology opportunity offset each other, the overall impact of policy risk and technology opportunities combined is -18.62% for domestic bond, which is the largest result. This is because bonds are never redeemed above par, so the opportunity impact is limited.

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< SOMPO Group CVaR analysis of policy risk and technology opportunity by asset and NGFS scenario >



- Policy Risk: Figures calculated for each level of Scope 1, 2, and 3 for the cost required to achieve the GHG reduction targets.
 - Technology opportunity: Figures calculated for the potential business opportunities created by environment-related technologies owned by companies against the backdrop of the transition to a low-carbon economy.
- Source: Prepared by Sompo Holdings
using MSCI Climate Value-at-Risk, Implied Temperature Rise

b. Implied Temperature Rise (ITR)

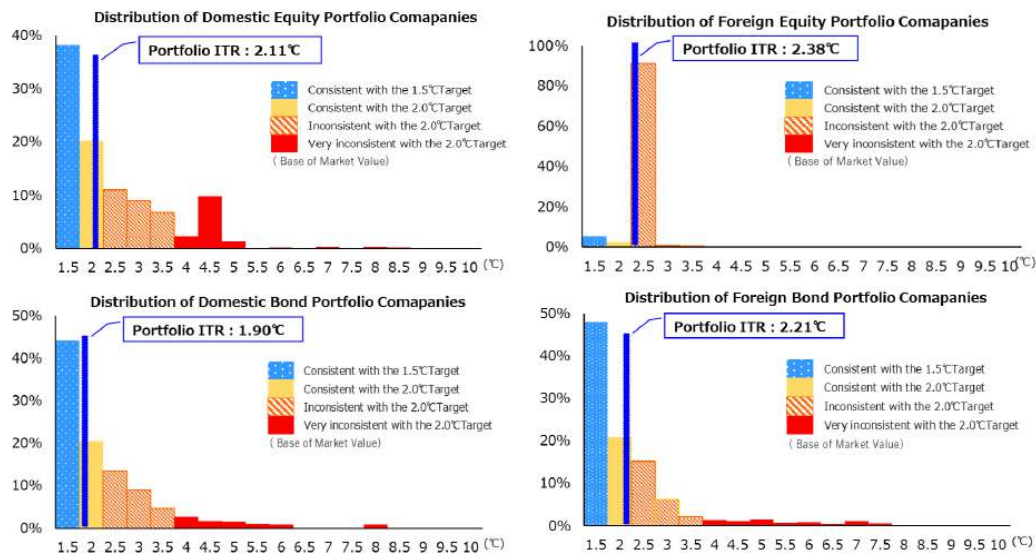
The percentages of companies with ITRs below 2°C are 58% for domestic equity, 8% for foreign equity, 65% for domestic corporate bond, and 69% for foreign corporate bond portfolios on a market value basis. With the exception of foreign equity, for which our holdings are small and heavily affected by some stocks, the majority of companies have set GHG emission reduction targets that are consistent with the 2°C target set by the Paris Agreement. On the other hand, for the portfolio as a whole, the ITRs for domestic equity,

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foreign equity, domestic bond, and foreign bond are 2.11°C, 2.38°C, 1.90°C, and 2.21°C, respectively, exceeding 2°C for all but domestic corporate bond. We will use the results of our analysis to reduce transition risk by engaging with our portfolio companies.

< SOMPO Group ITR analysis by asset >



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(3) Resilience improvement initiatives

A. Responding to risks

The Sompo Group is working to enhance corporate resilience to social change by providing

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green transition support to underwriters and investee and borrower companies, while at the same time working to mitigate transition risk by managing its asset management portfolio and other measures.

For investees, we are promoting green transition by strengthening our engagement with the top 20 high greenhouse gas (GHG) emitting companies among our equity holdings. For public and corporate bonds, we are aiming to reduce transition risks and capture opportunities by setting a target of 25% reduction in GHG emissions in our asset management portfolio by 2025 (compared to FY2019, based on total GHG emissions for stocks and bonds) by promoting the replacement of high GHG emitting sectors with low emitting sectors at the time of maturity. In addition, the Group has adopted a policy of suspending new insurance underwriting for new and existing coal-fired power generation and coal mine development (thermal coal), and suspending new insurance policies for energy mining projects in tar sands and the Arctic National Wildlife Refuge to help support the transition to a net zero society. However, we may carefully consider and respond to cases where reduction effects that contribute to the realization of the Paris Agreement are recognized, such as innovative technologies including carbon dioxide capture, utilization, and storage (CCS, CCUS) and ammonia co-firing.

With regard to our own GHG emission reductions, we have set a goal of 60% reduction by 2030 compared to FY2017 levels. To achieve this goal, we are steadily advancing initiatives in accordance with our roadmap for achieving the goal, such as switching to renewable energy sources for power generation in buildings we own.

B. Responding to opportunities

The Group is working to improve natural disaster resilience through its products and services, such as contributing to a stable food supply through the global development of agricultural insurance through AgriSompo as well as developing and providing climate risk consulting services.

With regard to energy sources, we will develop products and services that contribute to the dissemination of renewable energy, such as ONE SOMPO WIND Service (insurance and risk management service for offshore wind power generation business), while also developing new products and services that contribute to net zero (CO₂) emissions by collaborating with our business partners and other means.

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In addition, various organizations and groups around the world are actively discussing the formulation of regulations and guidance toward achieving a net-zero society. The Group will contribute to the transformation of society by actively participating in and leading these rulemaking efforts, and will also seek to create and expand business opportunities for the Group, such as through attracting partners by accumulating knowledge and enhancing reputation through these initiatives. The main initiatives of the Sompo Group are as follows.

Status of climate change-related business initiatives	
Adaptation	<p>[Expansion of AgriSompo]</p> <p>We are contributing to a stable food supply through the global roll-out of agricultural insurance through the AgriSompo platform, a global integrated platform for agricultural insurance.</p>
	<p>[Launch of proof-of-concept test of hotel evacuation support to achieve zero evacuation delay (“nobody left behind”) in the event of a natural disaster]</p> <p>In cooperation with data CRADLE and hotels in Kochi City, Sompo Japan Insurance Inc. has launched a proof-of-concept test of hotel evacuation support, targeting people</p>
	<p>who require evacuation support, pregnant women, and parents with infants in Kochi City.</p>
	<p>[Launch of evacuation supporters’ insurance for local governments and "Connected Disaster Prevention Project" to support people requiring special care]</p> <p>Sompo Japan Insurance Inc. has launched "evacuation supporters’ insurance" to ensure that evacuation supporters in individual evacuation programs and residents participating in local disaster prevention activities can carry out their activities with peace of mind. In collaboration with the Japan NPO Center, we have also launched the "Connected Disaster</p>

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Status of climate change-related business initiatives	
	<p>Prevention Project," an initiative to build regional networks (connections) that will encourage mutual aid in the event of a disaster.</p> <p>[Launch of new service (first in P&C insurance industry*) to promote reuse of solar panels damaged by natural disasters]</p> <p>Sompo Japan Insurance Inc. and Sompo Risk Management Inc. have launched an initiative to reuse solar panels damaged by natural disasters that otherwise would have been discarded by referring owners to companies that can reuse and recycle the panels at the time of insurance claim payment.</p>
Mitigation	<p>[Contribution to energy transition, which is an essential part of the transition to a green society]</p> <ul style="list-style-type: none"> • Launch of ONE SOMPO WIND Service for offshore wind power companies <p>Sompo Japan Insurance Inc. and Sompo Risk Management Inc. launched the ONE SOMPO WIND Service, which provides offshore wind power operators with risk assessments from construction work through business operation and comprehensive risk coverage, as part of efforts to promote offshore wind power projects with extremely low carbon dioxide emissions.</p> <ul style="list-style-type: none"> • Provision of comprehensive insurance for tidal current (ocean current) power generation to support the spread of offshore renewable energy <p>Sompo Japan Insurance Inc. and Sompo Risk Management Inc. have developed comprehensive insurance for tidal current (ocean current) power generation and risk management services related to offshore renewable energy, with the goal of supporting, from the perspectives of</p>

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Status of climate change-related business initiatives

insurance and risk management, initiatives and challenges aimed at practical application of power generation technology using various marine energies (ocean currents, tidal currents, etc.).

- **Launch of SOMPO-ZELO*, a series of risk solutions to support the construction of supply chains for hydrogen, ammonia, and other next-generation energies**

Sompo Japan Insurance Inc. and Sompo Risk Management Inc. launched SOMPO-ZELO, a series of risk solutions to support the construction of supply chains for hydrogen, ammonia, and other next-generation energies, including peripheral technologies such as ammonia-fueled ships, as part of efforts to promote the development and provision of insurance and risk management consulting to contribute to the implementation and stable operation of next-generation energy supply chains. Under this series, we developed Japan's first insurance dedicated to ammonia transportation in April 2022, followed by insurance dedicated to hydrogen transportation in July 2022, thereby contributing to the stable supply of next-generation energy.



The “ZELO” in SOMPO-ZELO stands for “Zero carbon x Logistics.” Aiming for “net zero (carbon neutrality)” and “zero risk,” SOMPO-ZELO seeks to support the construction of next-generation energy supply chains and their implementation in society by providing dedicated risk solutions designed from scratch (free from preconceived notions).

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Status of climate change-related business initiatives

- **Insurance for virtual power plants (VPPs)**

In cooperation with TEPCO Ventures, Inc., Sompo Japan Insurance Inc. has started offering dedicated insurance to support the spread of VPPs (virtual power plants) .

A VPP provides capabilities equivalent to a power plant by allowing the owners of consumer-side energy resources or power generation equipment and power storage equipment connected directly to the power grid, or a third party, to control those energy resources (including reverse power flow from the energy resource on the consumer side).

- **Stabilization support insurance for municipal renewable energy supply**

Sompo Japan Insurance Inc. has developed "electric power procurement cost stabilization insurance" to partially compensate for additional procurement costs that go higher than planned due to soaring wholesale electricity market prices when local government-funded retail electric power companies procure locally generated renewable energy.

[Collaboration with Kansai Electric Power Co., Inc. to realize a carbon-neutral society]

By combining Kansai Electric Power Co., Inc.'s zero carbon consulting know-how and real data with Sompo Japan Insurance Inc.'s strengths in risk assessment and analysis and Sompo Risk Management Inc.'s ESG consulting menu, we aim to develop new products and solutions to improve the market environment toward a carbon neutral society and realize solution services that combine the services of the three companies.

[Proof-of-concept test of energy conversion of organic waste on-site (first in Japan)]

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Status of climate change-related business initiatives	
	<p>Sompo Japan Insurance Inc., using the systems of its project collaborator Sustainable Energy Inc., conducted a proof-of-concept test where organic waste emitted and incinerated in office buildings is turned into fuel. (Shinjuku Center Building)</p> <p>[Launch of a rider for rebuilding expenses to compensates for cost of rebuilding damaged home]</p> <p>Sompo Japan Insurance Inc., in order to respond to the needs of customers who have experienced natural disasters such as typhoons and heavy rains, offers a rider to cover the cost of rebuilding the home, and through this rider, will encourage the spread of housing that complies with energy conservation standards.</p>
Societal transformation	<p>[Active involvement in rule-making through membership in net-zero organizations]</p> <p>In 2021, the Sompo Group joined the PCAF Insurance-Associated Emissions Working Group (working group to develop international standards to measure and disclose GHG emissions through insurance underwriting), and in 2022, the Group joined the sector-specific alliances under the Glasgow Financial Alliance for Net Zero (GFANZ).</p> <p>[Compensation for forest-derived carbon credits (first in Japan)]</p> <p>Sompo Japan Insurance Inc. has begun offering compensation for forest-based carbon credits *1, the first of its kind in Japan in the voluntary credit *2 market, which reduces greenhouse gas emissions through the use of natural capital.</p> <p>*1 A credit that certifies reductions in carbon dioxide or other greenhouse gases through forest protection, afforestation, and similar activities.</p> <p>*2 A system that allows companies to issue credits (emission credits) for reductions in CO2 and other greenhouse gases (amount reduced or</p>

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Status of climate change-related business initiatives	
	<p>absorbed) through forest protection, afforestation, introduction of energy-saving equipment, etc., and to trade them with other companies.</p> <p>[Engagement with investee companies]</p> <p>Sompo Japan Insurance Inc. has conducted ESG questionnaires to investee companies since FY2021, including non-listed companies, to encourage their sustainability efforts, including decarbonization.</p> <p>[Investment in "Tokyo Green Bonds" by the Tokyo Metropolitan Government]</p> <p>Sompo Himawari Life Insurance Inc. invested 800 million yen in "Tokyo Green Bonds" issued by the Tokyo Metropolitan Government, which will be used for projects related to climate change adaptation, smart energy city development, and improvement of the living environment.</p> <p>[Contributions to societal transition through collaboration between SOMPO Group and its stakeholders]</p> <p>Climate change risk analysis services (support for TCFD response) in collaboration with the National Research Institute for Earth Science and Disaster Resilience</p> <p>Partnership agreement with Weathernews Inc. to create new value and businesses to solve social issues related to climate change and global warming</p> <p>Business alliances to provide total support to companies in decarbonization management and climate change response (boost technologies, Inc., Asuene Inc.)</p>

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Status of climate change-related business initiatives	
	<p>Joint research agreement with Gifu University to study flood risk prediction and social impacts due to climate change</p> <p>And so on</p> <p>[Initiatives for fostering environmental personnel]</p> <ul style="list-style-type: none"> Continued implementation of Open Lectures on the Environment for citizens by the SOMPO Environment Foundation, and the CSO Learning Scholarship Program, which provides an eight-month internship experience at a CSO (civil society organization) in the environmental field for university students and graduate students Volunteer activities centered on the Sompo Chikyu (Earth) Club, a volunteer organization made up of Group executives and employees.

3. Risk Management

In order to realize the Group's Management Philosophy and Purpose and the goals in the Management Plan, we have established a risk appetite framework by clarifying “risks to be taken” and “risks to be avoided”, so as to increase the certainty of achieving them. For natural catastrophe risk, we clarify risk appetites and quantitatively assess the insurance claim payments expected in the event of a natural catastrophe based on scientific knowledge such as meteorology and the characteristics of our products. We then formulate and manage reinsurance policies and Group-wide risk retention strategies based on the impact on financial soundness, profitability and profit stability, as well as trends in the reinsurance market. Climate change related risks are controlled through a multifaceted approach within the risk

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control system framework of our Enterprise Risk Management (ERM) that involves material risk management, capital adequacy management, stress testing, risk limit management, and liquidity risk management.

With the aim of "contributing to a greener society where the economy, society, and environment are in harmony," which is one of the material issues set to fulfill SOMPO's Purpose, we are implementing SOMPO Climate Action to assess medium-term and long-term climate-related risks and opportunities through the Climate Change Risk Framework, conducting scenario analysis (physical risks and transition risks) based on the Framework, as well as various initiatives to improve our resilience to these risks and opportunities.

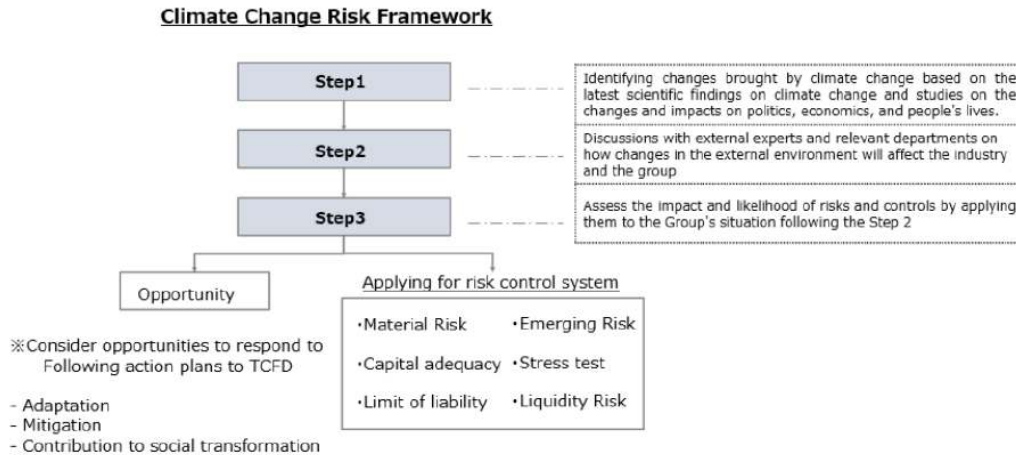
(1) Climate change risk framework (risk identification, assessment and management)

Climate change can impact various aspects of the Group's business, including our non-insurance business, and the impacts are long-term and highly uncertain. To manage climate change risks, including the risks associated with natural disasters, we have developed a climate change risk framework to complement our existing risk control system and to identify, assess, and manage risks by taking an in-depth look at scenarios in which the Group is affected through various pathways in the long-term.

In order to capture the complex impacts of climate change, the climate change risk framework uses the following three steps to assess and organize the risks and opportunities described in section (2) Addressing Climate-related Risks and Opportunities (Strategies).

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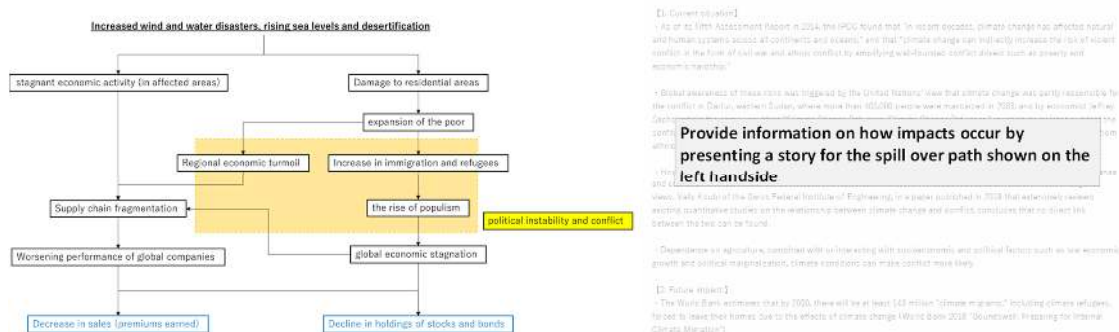
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In assessing risk, we have assumed low, medium, and high environmental change scenarios, which are a combination of IPCC scenarios showing changes in average temperature and NGFS scenarios showing possible policy transition patterns (see "Scenarios of Risk Spillover and Impacts (Example)" below), and have assessed risks for each pattern. <Table: Patterns of environmental change (low, medium, high) >

	I P C C	N G F S
Low	SSP1-1.9	Orderly / Net Zero 2050
Med	SSP-2-4.5	Disorderly/Delayed Transition
High	SSP5-8.5	Hot House World/ Current Policy

< Scenarios of Risk Spillover and Impacts (Example) >



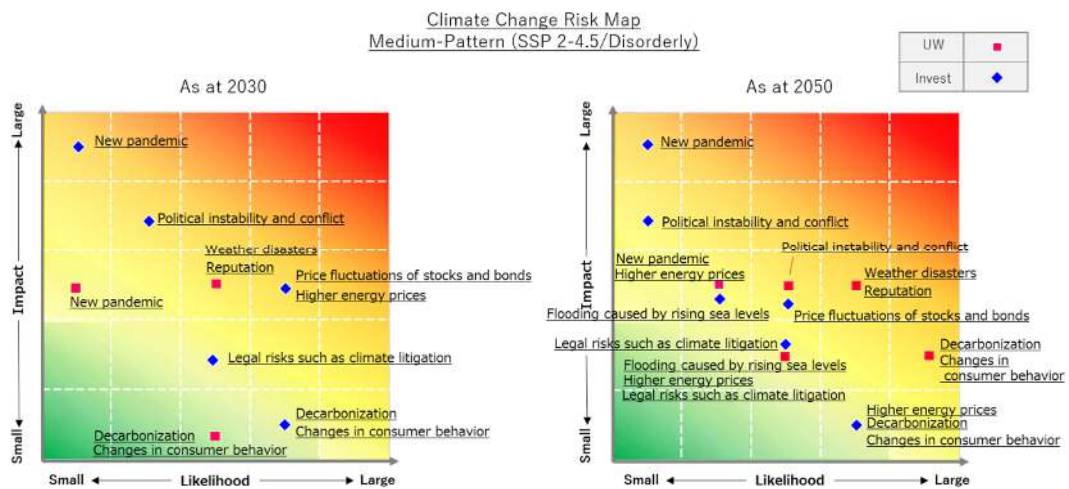
Based on the assessment results, risks that require continuous monitoring are visualized as a climate change risk map, which provides a bird's-eye view of the impact, likelihood, timing of occurrence, and trends of risks that primarily affect insurance underwriting and asset

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management, thereby stimulating discussion of climate change at the Board of Directors and other executive bodies.

<Risk map based on assessment results>



2. Other risks

The scenarios used in the assessment were conducted for insurance underwriting and asset management, but we believe that the legal impact of lawsuits has the potential to affect our business activities other than insurance underwriting and asset management. We believe that the impact and likelihood of each scenario in the risk assessment are moderate, and will continue to collect and analyze information to understand the risks.

	Cause	Impact
Risk of lawsuits	Delays in climate change initiatives and inadequate information disclosure	Lawsuits for compensation filed against the company

Table: Risks to our business excluding insurance underwriting and asset management. Note that we conducted an assessment of the impact on insurance underwriting and asset management.

(2) Integration with existing risk management frameworks

The risk perception captured by the climate change risk framework is reflected in the main assumed scenarios relating to material risks for management, while “Biodiversity”, an

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event that interacts with climate change, is investigated and studied as an emerging risk.
(See table below).

Climate-related material risks and their main scenarios

Material risk/Emerging risk	Main scenarios related to climate change
Climate change (physical risks)	Increased payments in fire and other insurance lines and reinsurance costs due to more severe and more frequent typhoons and hurricanes.
Climate change (transition risks)	Tighter policies, laws and regulations for decarbonization, and price volatility of equity and bonds due to technological innovations
Business interruption	Prolonged interruption of critical operations, loss of human life, etc. due to large-scale natural disasters and other events that exceed the assumed scenarios
Pandemics	Increased occurrence of serious new infectious disease pandemics due to deforestation and thawing of permafrost
Biodiversity	Destruction of ecosystems due to climate change and other factors will damage biodiversity and adversely affect the growth of agricultural crops

We will also incorporate the knowledge gained through the climate change risk framework into our existing risk control system framework that involves capital management, stress testing, risk limit management, and liquidity risk management, thereby enhancing the overall sophistication of our risk management.

4. Metrics and Targets

1) Metrics for assessing risks and opportunities

Sompo Holdings recognizes that the steady implementation of the Green Transition Plan toward the implementation of SOMPO Climate Action will lead to risk reduction and the acquisition of new business opportunities for the Group. Accordingly, we will use the metrics indicated below for assessment.

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- Calculated for Scope 1 and Scope 2 in Japanese and foreign listed stocks and bond investees using data provided by MSCI ESG Research (listed stock coverage rate: 86%, bond coverage rate: 82%, both based on market value). GHG emissions are our share of emissions based on investees' Enterprise Value Including Cash (EVIC), and WACI is the weighted average of each investee's GHG emissions per unit sales, according to the holding percentage for that investee in our portfolio. Note that numerical data may be revised retroactively.
- The WACI calculation method has been changed starting with FY2021 figures.

(2) Targets for managing risks and opportunities

The Sompo Group is committed to the implementation of SOMPO Climate Action through the achievement of the Green Transition Plan, and manages its progress using the following materiality KPIs. Please refer to Materiality KPIs for progress in achieving KPIs.

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	<table><tr><th>Category</th><th colspan="2">Total Emissions</th></tr><tr><td>Scope 1, 2 and 3 (excluding investments and loans) [unit: t-CO2e]</td><td colspan="2">239,554</td></tr></table>	Category	Total Emissions		Scope 1, 2 and 3 (excluding investments and loans) [unit: t-CO2e]	239,554	
	Category	Total Emissions					
	Scope 1, 2 and 3 (excluding investments and loans) [unit: t-CO2e]	239,554					
	Total GHG emissions at investees [*] (FY2021)						
	<table><tr><th>Category</th><th>Equity</th><th>Bonds</th></tr><tr><td>Scope 3 (investments and loans) [unit: t-CO2e]</td><td>931,821</td><td>909,893</td></tr></table>	Category	Equity	Bonds	Scope 3 (investments and loans) [unit: t-CO2e]	931,821	909,893
Category	Equity	Bonds					
Scope 3 (investments and loans) [unit: t-CO2e]	931,821	909,893					
Weighted Average Carbon Intensity (WACI) at investees [*] (FY2020)							
<table><tr><th>Category</th><th>Equity</th><th>Bonds</th></tr><tr><td>Scope 3 (investments and loans) [unit: t-CO2e/ million US dollars]</td><td>125.05</td><td>167.04</td></tr></table>	Category	Equity	Bonds	Scope 3 (investments and loans) [unit: t-CO2e/ million US dollars]	125.05	167.04	
Category	Equity	Bonds					
Scope 3 (investments and loans) [unit: t-CO2e/ million US dollars]	125.05	167.04					
Renewable energy introduction rate	End of FY2022: 5.1%						
Other environmental metrics	Electricity consumption (FY2022): 26.939 million kWh Paper consumption (FY2022): 6,157 tons						
Leadership to Address Climate Change	See <Reference> below.						

* Calculated for Scope 1 and Scope 2 in Japanese and foreign listed stocks and bond investees using data provided by MSCI ESG Research (listed stock coverage rate: 86%, bond coverage rate: 82%, both based on market value). GHG emissions are our share of emissions based on investees' Enterprise Value Including Cash (EVIC), and WACI is the weighted average of each investee's GHG emissions per unit sales, according to the holding percentage for that investee in our portfolio. Note that numerical data may be revised retroactively.

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Participation and activities in sustainability-related initiatives and rule-making	Publication of activity results as needed
Number of engagements with investee and borrower companies	Increase from previous year
SOMPO greenhouse gas (GHG) reduction rate	60% reduction by 2030 (vs. 2017), net zero emissions by 2050 * Scope 1, 2, 3 (excluding investments and loans) are covered
Switch to renewable energy for electricity usage	2030 adoption rate 70% 2050 adoption rate 100%
Investment and loan greenhouse gas (GHG) reduction rate	25% reduction by 2025 (vs. 2019), net zero emissions by 2050 * Scope 3 category 15 is covered (target assets are listed equities and corporate bonds)
No. of participants in biodiversity conservation activities and environmental education programs	10,500 in FY2023

<Reference> Leadership to Address Climate Change

Leadership through Various Initiatives

It is important that many stakeholders work collaboratively to address the challenges of climate change. As climate action is being discussed in numerous initiatives both in Japan and the world, we are making an effort to show leadership in such initiatives. Here we introduce some of our major activities.

Participation in the sector-specific alliances under GFANZ

The Sompo Group has joined the Net-Zero Asset Owner Alliance (NZAOA), and the Net-Zero Asset Managers Initiative (NZAM), where it works to improve rule-making and its own efforts toward net zero.

Participation in CDP (Climate Change) and Support for TCFD

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The CDP is a set of collaborative initiatives by the world's institutional investors. It encourages businesses worldwide to adopt climate change strategies and disclose their GHG emissions.

Sompo Japan has been a member since 2005 as an institutional investor. As a responding company, Sompo Holdings selected for the Climate A List as the highest rank in a CDP Climate Change for the fifth times.

Following the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations Report published in June 2017, the Group declared support for TCFD and started participating in the TCFD insurance working group of the United Nations Environment Programme-Finance Initiative (UNEP-FI) to develop TCFD disclosure for the insurance sector.

Paris Agreement: Participation in Initiatives to Achieve 2°C Target

In 2017, we took part in an initiative led by the Ministry of the Environment, Japan aiming to set Science Based Targets (SBT). In 2018, we submitted a letter of commitment to the SBTi (international initiative that certifies companies that set ambitious targets consistent with the Paris Agreement) and declared our participation in the drafting of financial sector guidance. In fiscal year 2018, we set new mid- to long-term GHG emission reduction targets for 2030 and 2050 in line with the levels recommended by the SBTi.

In July 2018, the Japan Climate Initiative network was established to enhance information dissemination and the exchange of opinions among corporations, local governments, and civil society organizations actively taking measures to combat climate change. We endorse the purpose of this initiative and are participating as a founding member.

Caring for Climate

“Caring for Climate” is an initiative established by the United Nations Global Compact (UN GC), the United Nations Environment Programme (UNEP), and the United Nations Framework Convention on Climate Change (UNFCCC) to advance the role of business in addressing climate change. Masao Seki, Senior Advisor on CSR at Sompo Japan at the time, was a member of the steering committee.

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The Conference of the Parties (COP)

In November 2016, the 22nd Session of the Conference of the Parties (COP22) to the United Nations Framework Convention on Climate Change was held in Marrakesh, Sompo Japan, spoke at a session of a side event organized by Japan's Ministry of the Environment, focusing on Japanese corporations' efforts for climate resilience. The company also participated in a High-Level Meeting on Climate Change organized by Caring for Climate during COP22, as a steering committee member. In November 2017, at a side event organized by the Japan International cooperation Agency (JICA) at the COP23 held in Bonn, Germany, Sompo Risk Management gave a presentation on Private Sector Perspective on Agricultural Insurance.

In November 2018, Masaya Futamiya, Director Chairman of Sompo Japan at the time, participated in Global Business and Biodiversity Forum held in advance of COP 14 and gave a presentation on the revision of Declaration of Biodiversity by Keidanren and a progress status of the "mainstreaming of biodiversity" in the Japanese business sector as a Chairman of the Keidanren Committee on Nature Conservation. He also held dialogs with representatives from organizations that have a great effect on promoting global nature conservation.

At the Convention on Biological Diversity (COP15) held in Montreal, Canada in December 2022, Keiji Nishizawa, Director-Chairman of Sompo Japan Insurance Inc., participated as Chairman of the Keidanren Committee on Nature Conservation. In order to contribute to the achievement of a new international framework (global goals), in collaboration with Japan's Ministry of the Environment, he announced the plan to provide financial support of 300 million yen for the "Community Development and Knowledge Management for the Satoyama Initiative (COMDEKS)" implemented by the United Nations Development Programme (UNDP) through the Keidanren Nature Conservation Fund.

In addition, at COP15, Sompo Holdings endorsed the statement regarding the Global Biodiversity Framework (GBF), which calls for a society that coexists with nature by 2050, and which the United Nations Environment Programme Finance Initiative (UNEP FI) has called on private financial institutions to support.

While we are submitting the group level TCFD report prepared by our ultimate parent company (Sompo Holdings), please see below further supplemental information specifically in regards to the sustainability governance of Sompo's US Companies.

Oversight of climate risk is performed at multiple levels of the organization – the ultimate holding company level (Sompo Holdings), the intermediate holding company level (Sompo International), and the US legal entities level.

- At the Sompo Holdings level, the overall Board of Directors is responsible for management of climate risk, and is supported by various management level committees, including the Global Executive Committee, the Managerial Administrative Committee, and the Sustainable Management Committee.
- At the Sompo International level, the Board Risk Committee is primarily responsible for the management of climate risk. Given the committee's extensive experience in risk management, this is considered the most critical level of oversight for climate risk. This risk has been on the committee agenda in recent years in multiple formats, including the risk review of the business plan, the risk appetite framework, and the ORSA presentation.
- At the US legal entities level, the overall US Board of Directors is responsible for management of climate risk.

The Group has made various climate related commitments in recent years. These commitments affect all members of the Group, including the US legal entities:

- Sompo Holdings has pledged to achieve net zero emissions in its underwriting, its investments, and its operations by 2050.
- Sompo Holdings is a signatory to the UN Environment Programme Financial Initiative, the UN Principles for Sustainable Insurance, and the Principles for Responsible Investment.
- Sompo Holdings has pledged no new underwriting for or new investment in (1) coal power plants or thermal coal mine projects, (2) oil and gas extraction projects in the oil sands or Arctic National Wildlife Refuge, or (3) companies that derive at least 30% of their revenue from coal or utilities that generate at least 30% of their power generation from coal, unless they have established a GHG reduction plan.

The various boards of directors – at the Sompo Holdings, Sompo International, and US legal entity levels – are responsible for monitoring performance against these commitments.

Similar to our Board oversight, senior management functions at multiple levels are involved in climate risk management.

- At the Sompo Holdings level, the Group Chief Sustainability Officer (CSuO) is responsible for formulating and implementing strategies related to the Group's sustainable management, including climate change. There is also a dedicated Group Sustainable Management Office to support the CSuO in these endeavours.
- At the Sompo International and US legal entity level, responsibility for climate change risk and sustainability strategy belongs to the newly created position of the Head of

Sustainability, who is based in New York. Executive management is also provided by the Sampo International Executive Committee, the Management Risk Committee, and the Management Investment Committee.

Climate risk has been named a material risk for Sampo International and is described in the ERM Policy established by the Board of Directors. Furthermore, Sustainability has been established as one of the five pillars of our risk appetite framework, in which Sampo International is striving to contribute to the group's sustainability vision and achievement of sustainable development goals through the proactive identification and management of climate change and other ESG related risks and opportunities. The Company is in the process of establishing risk monitoring metrics to track and report our progress.

Climate risk is described in the ORSA reports at all three levels of oversight described above, including in the US legal entities' ORSA.