

# Response to Recommendations of the Task Force on Climate-related Financial Disclosures

[Products & Service](#)[Partnerships](#)

The Sompo Group supports the Task Force on Climate-related Financial Disclosures (TCFD) and is working on various initiatives to address climate change and to be highly transparent in our information disclosure.

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## Management Structure (Governance)

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. Sompo has established a system under which executive officers and vice presidents implement measures based on Group-wide strategies and policies to realize SOMPO's Purpose and the Board of Directors supervises the implementation of these measures.

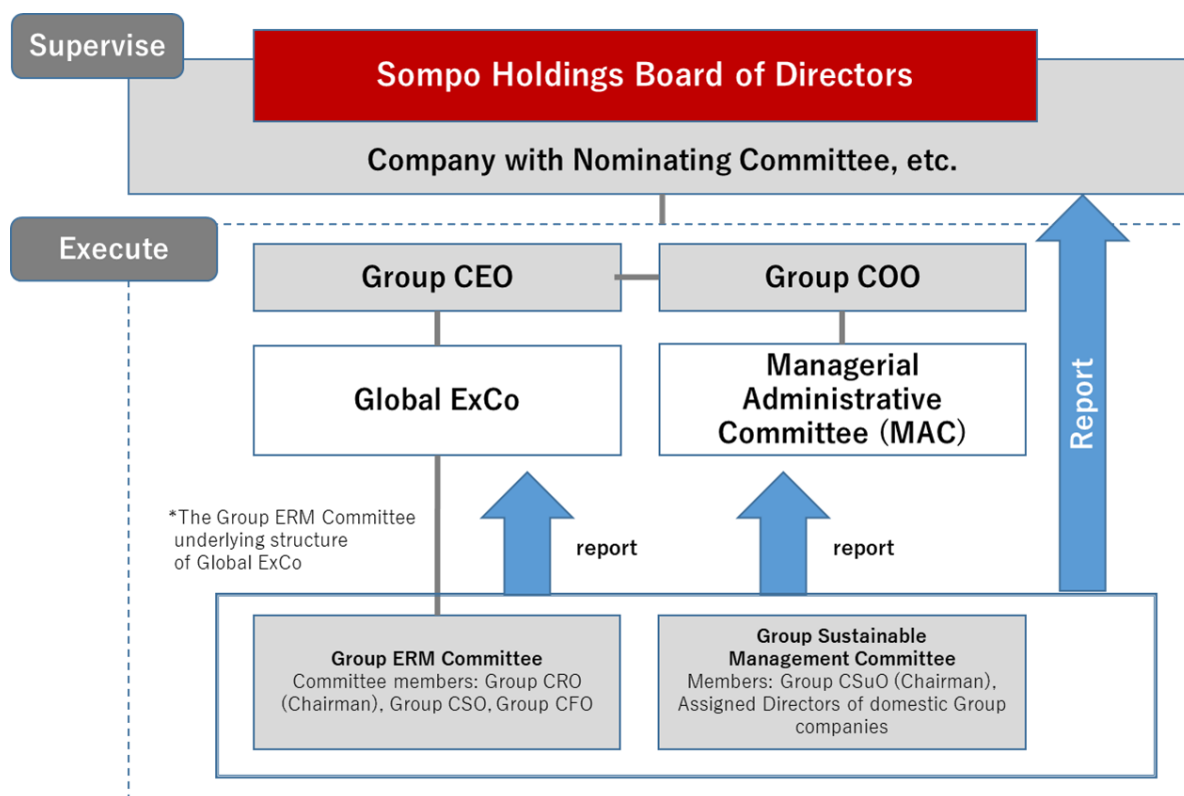
The Group Chief Sustainability Officer (CSuO) is responsible for formulating and implementing strategies related to the Group's sustainable management, including climate change, and overseeing the Group's overall sustainability function. We have established a dedicated Sustainable Management Office, and have built a system to promote climate change measures and other sustainability initiatives for the entire group.

The Group Sustainable Management Committee, which is comprised of executive officers from each Group company, disseminates sustainability strategies and policies, including those related to climate change, and also monitors the progress of each company's initiatives, particularly with regard to potential business opportunities.

Climate change strategies and their implementation are discussed by the Global Executive Committee (Global ExCo) and the Managerial Administrative Committee (MAC), and discussions are reported to the Board of Directors.

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, 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 MAC and the Board of Directors to verify its effectiveness. The Group CSuO and Group CRO are responsible for implementing countermeasures against material risks, such as the severity of natural disasters that may be impacted by climate change, the impact on asset prices due to the transition to a carbon-free society, and changes in consumer preferences.



Note: Meetings held in FY2021 (number of times climate change-related agenda items were addressed is shown in parentheses) Global ExCo (2), MAC (5), Group Sustainable Management Committee (3), Group ERM Committee (2)

## Addressing Climate-related Risks and Opportunities (Strategy)

The Group has identified “contributing to the creation of a green society in which economy, society, and environment are in harmony” as a material issue that must be addressed to achieve our Purpose. To address this priority issue, in our Medium-term Management Plan, which started in FY2021, we identified three actions – adaptation, mitigation, and contribution to societal transformation – as part of the SOMPO Climate Action plan that takes a composite approach to climate-related risks and opportunities, and we are now in the process of executing various related initiatives.

### 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 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 World Economic Forum, 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.

Environmental Change		Impact on our company	Risk	Opportunity
Physical	Acute	<b>Intensifying weather disasters:</b> Increased payment of property insurance and reinsurance costs due to intensification or increase in frequency of typhoons and hurricanes	●	-
		<b>Advancement of Climate Change Forecasting:</b> Competitive advantage by developing Risk Models in response to advancement of climate change forecasting	-	●
		<b>Impact on agricultural insurance:</b> Increased agricultural insurance claims payments due to drought. Providing solutions for agricultural risks in each country.	●	●
	Chronic	<b>Sea-level rise:</b> Increase in insurance payments due to flood in coastal areas arising from sea level rise and other weather events caused by chronic climate change	●	-
		<b>Price declines in the real estate market:</b> Declining prices of real estate susceptible to physical risk	●	-
		<b>Services for disaster risk reduction and mitigation:</b> Growing demand for public-private partnerships and consulting services for disaster risk reduction and mitigation of weather-related disasters	-	●
		<b>Political instability/conflict:</b> Social turmoil and economic instability due to increased immigration, national bankruptcy, increased terrorism, etc. due to food and water shortages	●	-
		<b>Emerging Pandemics:</b> Increased occurrence of serious emerging infectious disease pandemics due to deforestation and thawing permafrost	●	-
		<b>Changes in stocks &amp; bonds:</b> Changes in the price of stocks and bonds due to the tighter laws and regulations and the technological innovation for decarbonization	●	●
Transition	Policy	<b>Increase in energy prices:</b> Prolonged higher oil prices due to expansion of supply-demand gap caused by decarbonization, and increase in prices due to introduction of carbon tax, etc.	●	-
		<b>Untimely and rapid transition:</b> Rapid transition of countries lagging behind in transitioning to a low-carbon society, leading to economic instability	●	-
		<b>Legal risk such as climate change litigation:</b> Increase in liability insurance claims due to climate change litigation. Increasing demand for insurance coverage and services	●	●
	Legal	<b>Decarbonization using new technologies:</b> Fluctuations in premium income and asset prices due to changes in industrial structure caused by the diffusion of new technologies and obsolescence of existing technologies	●	●
		<b>Advances in low-carbon technologies:</b> Growing demand for insurance and services for new markets and businesses such as energy conservation and energy storage systems	-	●
	Technology	<b>Reputation:</b> Impact on reputation due to superiority of climate change initiatives and information disclosure in products and services	●	●
		<b>Changes in consumer behaviors:</b> Changes in premium income and asset prices due to changes in consumer behavior (e.g., sharing services)	●	●
Preference	Preference			

## Scenario analysis

### 1. 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)\*<sup>1</sup>, we are working to evaluate the long-term impacts in climate scenarios of 2°C and 4°C global warming with respect to changes in the average trends for storm surges affected by typhoons, floods and sea level changes and trends in the occurrence of extreme weather events. We are also examining the medium-term impacts over the next five to ten years to incorporate the 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\*<sup>2</sup> 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 policies and reinsurance policies are mostly short-term contracts, and the risk of higher-than-expected claim payments can be controlled by revising underwriting conditions and reinsurance policies based on trends in the occurrence of extreme weather events. We also strive to ensure resilience to physical risks through a multifaceted approach that includes decentralizing functions globally, quantitative modeling based on short- and medium-term climate forecasts, and identifying and assessing material risks using long-term scenario analysis.

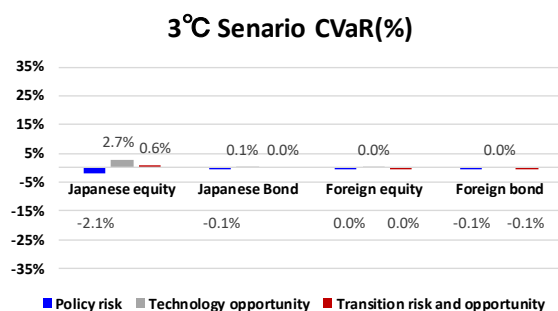
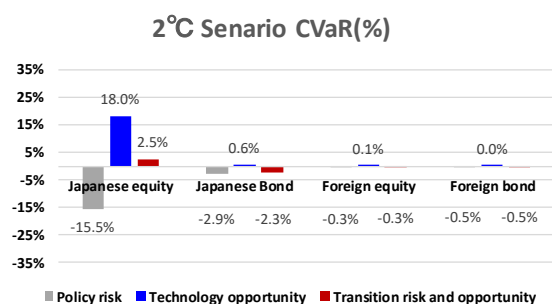
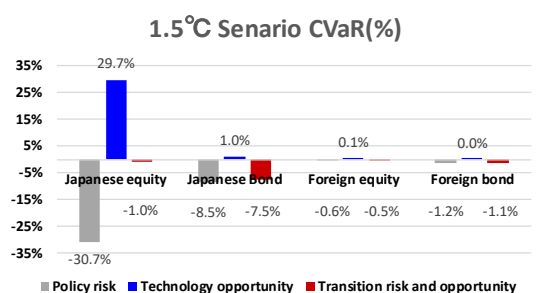
## 2. Transition risks

We have analyzed the impact of transition risks on assets held by the Group (Japanese equity, Japanese bond, foreign equity, and foreign bond) using the Climate Value-at-Risk (CVaR)\*3 model provided by MSCI, based on scenarios in which global warming by the end of this century are limited to 1.5°C, 2°C, or 3°C above pre-industrial levels. We focused on the impact of policy risks associated with the transition to a low-carbon global economy and the impact of technological opportunities from climate change mitigation and adaptation initiatives.

\*3

- One method to measure the impact on corporate value associated with climate change-related policy changes and disasters
- Future costs and profits associated with climate-related risks and opportunities are translated into the current valuation in this approach. We calculated the impact as of the end of March 2021, taking into account the market price weight of each stock in our portfolio.

### Sompo Holdings: CVaR Analysis of Transition Risks and Opportunities by Global Warming 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.
- Transition risk and opportunity:  
Sum of policy risks and technology opportunities

Source : Prepared by Sompo Holdings  
using MSCI Climate Value-at-Risk

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As outlined above, the overall impact of policy risks is limited as it is offset by that of technological opportunities. By scenario, the impact of policy risks and technological opportunities under the 1.5°C scenario is the largest, and by asset holdings, the impact on Japanese equities is the largest.

## **Initiatives to enhance resilience**

### **1. Responding to risks**

The Group is working to enhance corporate resilience to social change by providing green transition support to insurance client and investment portfolio companies, while at the same time working to mitigate transition risks by managing asset management portfolios and taking other measures.

We are promoting green transition to investment portfolio companies by strengthening engagement with the top 20 greenhouse gas (GHG) emitting companies among our equity holdings. We have set a target of reducing GHG emissions in our investment portfolio by 25% by 2025 (compared to FY2019, based on total GHG emissions of equity and bonds) by 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.

In addition, we promote the transition through our insurance of and investments in renewable energy and other innovative green technologies.

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 also 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 whose primary business is coal (\*2), or 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), carbon recycling, ammonia co-firing, or other

innovative technologies 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 electric utilities 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 individuals, e.g. workers' compensation insurance.

#### Policy for ESG-related Underwriting, Investment and Loan

We have also set a target of reducing our own GHG emissions by 60% by 2030, compared to FY2017. In FY2021, we steadily implemented initiatives in line with the roadmap to achieve this target, including switching to renewable energy as a source of electricity at Sompo Japan's head office building.

## **2. Responding to opportunities**

The Group is working to enhance natural disaster resilience through our products and services, including contributing to a stable food supply through the global roll-out of agricultural insurance through the AgriSompo platform, developing and providing climate risk consulting services, and developing AI-based disaster preparedness and mitigation systems.

In terms of energy sources, we are rolling out products and services that contribute to the spread of renewable energy, such as ONE SOMPO WIND (an insurance and risk management service for offshore wind power companies), while developing new products and services in collaboration with our business partners that contribute to carbon neutrality.

Various organizations and groups around the world are actively discussing the formulation of regulations and guidance to realize a net-zero society. By proactively participating in and leading these rulemaking efforts, the Group will not only contribute to social 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.

Participating net-zero related initiatives:

- PCAF Insured-Associated Emissions Working Group (working group to develop international standards to measure and disclose GHG emissions through insurance underwriting)
  - Net-Zero Insurance Alliance (NZIA)
  - Net Zero Asset Owner Alliance (NZAOA)
  - Net Zero Asset Managers initiative (NZAM)
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## Risk Management

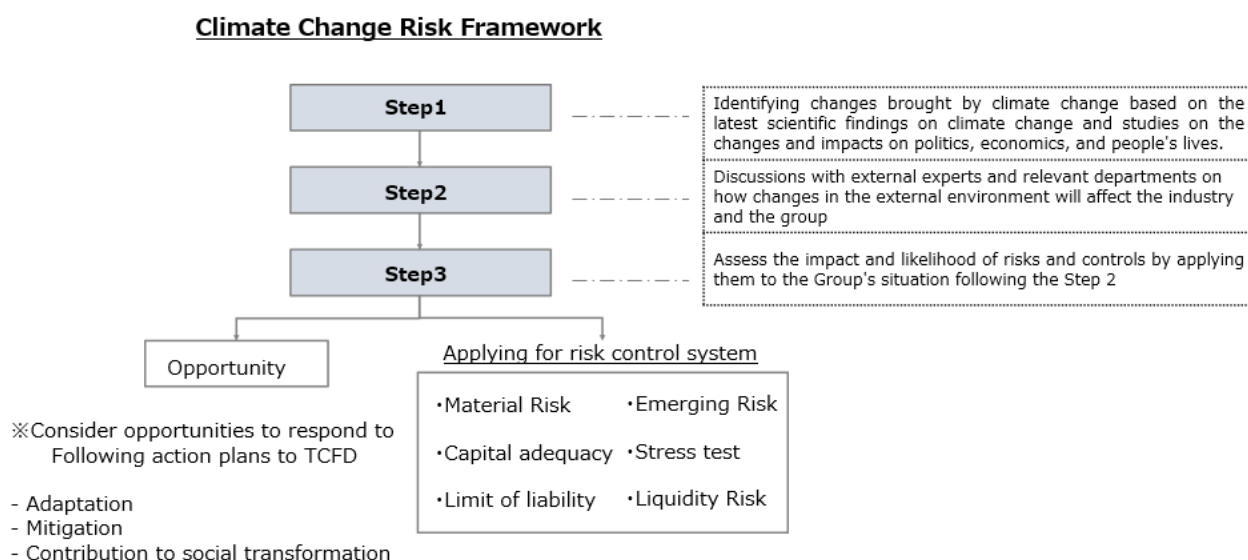
In order to realize the Group's Management Philosophy and Purpose and the goals in the Management Plan, we have established a risk appetite framework by clarifying “risks to be taken” and “risks to be avoided”, so as to increase the certainty of achieving them. For natural catastrophe risk, we clarify 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 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.

### 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.

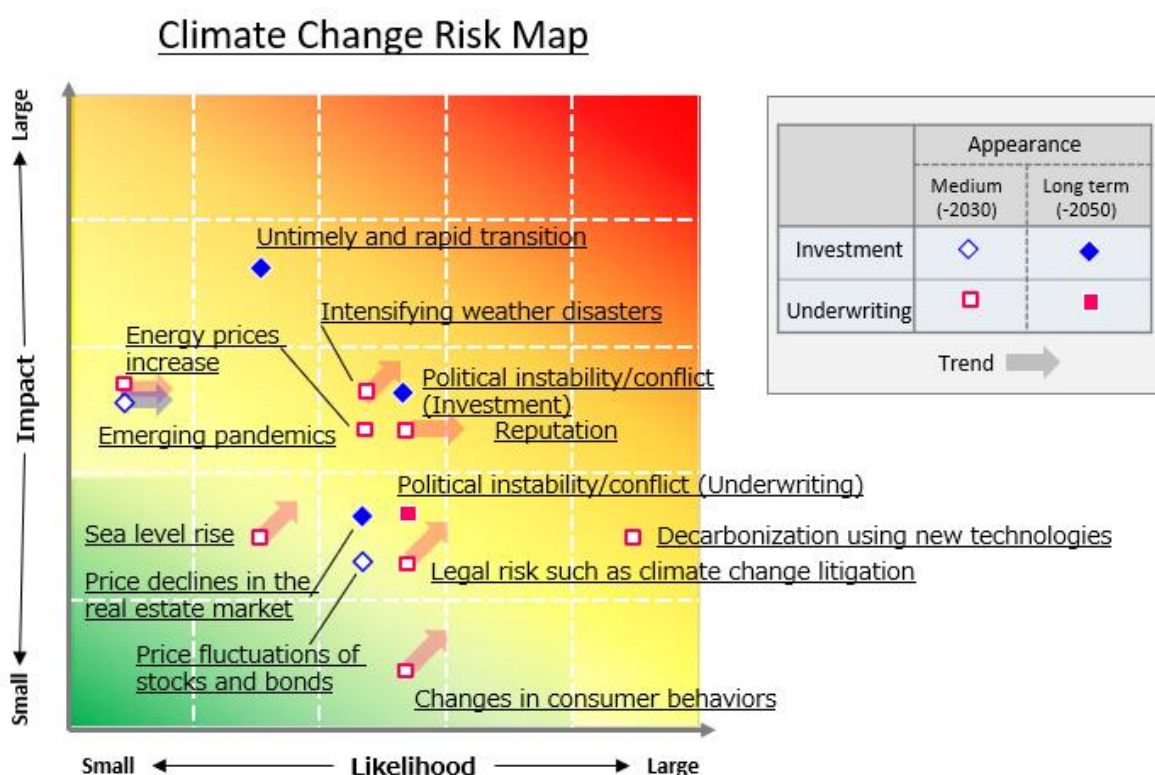
In order to capture the complex impacts of climate change, the climate change risk framework uses the following three steps to assess and organize the risks and opportunities described in section (2) Addressing Climate-related Risks and Opportunities (Strategies).



In 2022, positioned as an exploratory assessment, we conducted a risk assessment assuming possible policy transition patterns (see table below) based on the research results of external organizations, such as the IPCC and the World Economic Forum, and visualized them as a climate change risk map.



A. Moderate transition	Global warming has intensified, causing heat waves over large areas, resulting in severe food crises and water shortages. Mortality rates have also risen due to frequent and severe natural disasters. Political instability has led to regional conflicts, the proliferation of terrorism, and an increase in the number of refugees.
B. Immediate and significant transition	The rapid promotion of decarbonization policies has caused a steep rise in fossil fuel prices, and has had significant negative impact on G7 economies, including industrial hollowing out and rapid inflation.
C. Countries transition at different speeds	Geopolitical and economic friction and disparities between countries have increased as countries and regions proceed with policy and technological transitions at different speeds.



The climate change risk map visualizes risks that require continuous monitoring and will stimulate discussions on climate change in the Board of Directors and other executive bodies by providing a bird's eye view of the impact, likelihood, timing of occurrence, and trends of risks that will primarily affect insurance underwriting and asset management.

### 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 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.

## Metrics and Targets

### Main metrics

GHG emissions	Total GHG emissions (FY2021)		
	Category		Total Emissions
	Scope 1, 2 and 3 (excluding investments and loans) [unit: t-CO2e]		228,051
	Total GHG emissions at investees* (FY2020)		
	Category	Equity	Bonds

	Scope 3 (investments and loans) [unit: t-CO2e]	948,53 0	906,20 7
	Weighted Average Carbon Intensity (WACI) at investees* (FY2020)		
	Category	Equity	Bonds
	Scope 3 (investments and loans) [unit: t-CO2e/ million US dollars]	100.58	133.77
<b>Renewable energy introduction rate</b>	End of FY2021: less than 2.2%		
<b>Other environmental metrics</b>	Electricity consumption (FY2021): 280.37 million kWh Paper consumption (FY2021): 5,771 tons		

\* 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: 93%, bond coverage rate: 84%, 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.

## Main targets

	Category	Target	Achievement Timing
GHG reduction targets	Scope 1, 2 and 3 (including investments and loans)	Net zero emission	FY 2050
	Scope 1, 2 and 3 (excluding investments and loans)	60% (Compared to FY2017 levels)	FY 2030
	Scope 3 (investments and loans)	25% (Compared to FY2019 levels)	FY 2025
Renewable energy introduction rate	- 2030 target: 70% or more - 2050 target: 100%		

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## 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 CDP (Climate Change) and Support for TCFD

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.

*While we are submitting the group level TCFD report prepared by our ultimate parent company (Sompo Holdings), we would like to explicitly address the NYDFS questions outlined in the letter dated July 7, 2022.*

**1. Please describe your company's board governance structure as it relates to climate risks and include at least the information below:**

- The board member(s) or committee(s) that are responsible for the oversight of the management of climate risks.

*The oversight of climate risk is performed at multiple levels of the organization – the ultimate holding company level (i.e., Sompo Holdings), the intermediate holding company level (i.e., 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.*
  - *At the US legal entities level, the overall US Board of Directors is responsible for management of climate risk.*
- The board's familiarity with climate risks and education/training on climate risks.  
*The Sompo International Board Risk Committee has strong familiarity with climate risk. Its members include the Group Chief Risk Officer, the Group Chief Operating Officer, the Sompo International Chief Executive Officer, the Sompo International Commercial P&C Insurance Chief Executive Officer, the Retail Insurance Chief Executive Officer, and a Non-Executive Director who has over 40 years of experience in the US P&C insurance industry. Climate 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.*
- Whether board governance is done at the ultimate holding company level (if applicable), intermediate holding company level (if applicable), the entity level, or a combination. If handled at the ultimate holding company level, describe what activities are undertaken at the entity level.  
*As described above, board governance is performed at a combination of the ultimate holding company level, the intermediate holding company level, and the entity level.*



The intermediate holding company level (i.e., Sompo International) is where the bulk of activity takes place.

- If the company has made climate commitments, how the board oversees management's progress toward meeting such commitments.

The Group has made various climate related commitments in recent years, including net zero pledges for Underwriting, Investments, and Operations. These commitments affect all members of the Group, including the US legal entities.

- Sompo is a member of the Net Zero Insurance Alliance, the Net Zero Asset Owners Alliance, and the Net Zero Asset Managers initiative.
- Sompo is a signatory to the UN Environment Programme Financial Initiative, the UN Principles for Sustainable Insurance, and the Principles for Responsible Investment.
- Sompo 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.

Given the recent timing of these pledges, we are still in the process of formulating our net zero implementation strategy. We anticipate our Boards – at the Sompo Holdings, Sompo International, and US legal entity levels – will be responsible for monitoring performance against these commitments.

- The senior management function(s) that are responsible for the management of climate risks.

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 Sompo International Executive Committee, the Management Risk Committee, and the Management Investment Committee.

**2. Please describe the specific plans the company has developed on climate-related organizational structure and include at least the information below:**

- How climate risks will be managed through the company's existing enterprise risk management functions.

Climate risk has been named a material risk for Sompo 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 Sompo 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.

- The roles and responsibilities of the control functions related to managing climate risks.
  - The Head of Sustainability has primary responsibility for climate risk identification, assessment, management, monitoring and reporting to management and the Board.
  - The Risk function supports the Head of Sustainability in these endeavours and establishes the climate risk appetite for the Company.
  - The Compliance function is responsible for monitoring the climate related legal and regulatory frameworks throughout the world and ensuring that all requirements are met.
  - The Internal Audit function provides assurance on the effectiveness of climate change risk management.

- How the risk management process will be implemented across lines of business, operations, and control functions.

The risk management framework is and will be applied consistently across lines of business, operations, and control functions. A key priority for Sompo International, which we have recently begun pursuing, is the education of all staff in the organization on climate risk. This is being done through multiple channels, including a mandatory online learning module, a sustainability page on the Company's intranet, and direct communications from the Chief Executive Officer.

- Underwriting: Once a baseline level of knowledge has been established (as described above), the Sustainability function will engage in more targeted meetings with underwriters in the lines of business that we believe are most highly impacted by climate change, such as the property, energy, construction, marine, surety, and professional classes. We aim not only to build general awareness of climate risk, but also to help the underwriters develop an





- understanding of how to assess various these climate risks when underwriting a risk.
- Investments: The Sompo International Investment function has been studying the ESG profile of our asset portfolio. Given that individual investment decisions are made and executed by our external investment managers, a careful articulation of our climate risk appetite to these managers is critical. This includes not just establishing and communicating exclusionary policy (e.g., no longer investing in coal power plants), but also inclusionary (e.g., investing in renewable energy projects).
  - Operations: The Head of Sustainability meets regularly with the Operations team to identify and implement strategies to reduce the Company's own carbon footprint. Recently, a Real Estate ESG scorecard was created to help management consider whether potential candidates for future office space would improve or worsen our ESG profile.
- Plans for explicitly considering climate risks in enterprise risk reports and ORSA summary reports.  
Climate risk is already explicitly described in the ORSA reports at all three levels of oversight described above, including in the US legal entities' ORSA.
  - Plans for the internal review of the functions and procedures for managing climate risks.  
We have recently created the role of Sompo International Head of Sustainability based on recommendations made by the Risk function following a sustainability review of the business. We anticipate that further such reviews would be performed periodically, although none are currently scheduled.
  - Plans for developing the skill, expertise, and knowledge for assessing and managing climate risks.  
We are collaborating with external firms to develop our knowledge in this area. For example, we are working with a catastrophe modelling firm to develop a better understanding of the impact of climate change on storm surge and inland flooding associated with US hurricanes. Furthermore, we are developing a climate change web-based education module for all staff, which should be launched in 2023.