

Third-party Opinion

Continuing from the previous year, I again submit this Third-party Opinion, based on the Sustainability Report 2020, regarding how the T&D Insurance Group thinks and acts in relation to CSR (Corporate Social Responsibility) as well as the Group's related information disclosure.

1. The Risks and Opportunities that Climate Change Presents

I commend the establishment of the Climate Change Risk Subcommittee as a subordinate body of the Group SDGs Committee in April 2020. I also commend the scenario analyses were performed, although disclosed in qualitative terms, to identify the impacts of the physical and transition risks posed by climate change to the T&D Insurance Group. In this disclosure, it came to my attention that you have raised "average temperatures lead to an increase in the number of heat stress deaths and heat stroke hospitalizations" as health impacts. The disclosure also notes that, under the 2°C scenario, "both of these increases will be gradual over a long period of time, which will limit their impact on underwriting profitability," and "this will be addressed by conducting an appropriate review of premium rates." On the other hand, I have also heard of the prediction that "the risk of contracting an infectious disease increases due to the expansion of the habitats of disease vectors," and that "high temperature conditions during the day and night increase mental illness." There is no denying that climate change could threaten the business model of the life insurance industry itself if it changes disease incidence rates and life expectancy. In the future, I hope the T&D Insurance Group will take a broader view of the health effects of climate change, analyze the impact on underwriting profitability in detail, and quantitatively calculate and disclose the amount of insurance income that will be negatively impacted and the range of premium rate revisions that will be required.

In the analysis of climate change opportunities, I was impressed by the following statement: "The Group also has opportunities to expand its business domains and earnings as a business operator, rather than as an institutional investor, by developing or entering into new business domains related to the mitigation of and adaptation to climate change." The idea of "new business domains" mentioned here seems to be fine as a vision, but I hope to see it fleshed out in specific detail.

2. Investing to Help Build a Sustainable Society

I commend the disclosure of your intention that "it is the Group's policy not to make any new investments or loans to coal-fired power generation projects," based on the recognition that "the consumption of fossil fuels is one of the major factors driving environmental problems such as climate change and air pollution, and that the attitude of institutional investors in this sector is more important than ever before." I also commend the specific disclosure of examples of ESG investment initiatives and the status of dialogue on the exercise of voting rights.

It was also reported that a T&D Insurance Group Human Rights Policy has been established, and that human rights due diligence is being exercised. However, I was unable to find any descriptions of investment and loan criteria regarding human rights issues in asset management activities. In the future, I hope that each company will disclose a comprehensive list of specific ESG issues focused by its investment and loan criteria.

3. Incorporating Sustainability into Governance and Internal Control

The document "Practical Guidelines for Independent Directors," published on July 30, discusses the importance of sustainability-conscious management, including ESG issues and the SDGs. Specifically, it states the following: "In order to ensure sustainable growth and improve corporate value over the medium to long term, it is necessary to manage with an awareness of sustainability in light of global trends, including ESG and SDGs perspectives. Independent directors are also encouraged to incorporate these perspectives, that are less noticed within the company, from outside the company, and to give their opinions on how the company can manage itself sustainably." The T&D Insurance Group is unique in that the Group SDGs Committee is a subordinate body of the Board of Directors. In the future, I hope that the system will be improved and strengthened, including through the expansion of the committee membership, so that the perspective of sustainability will be fully incorporated into key management decision-making and the supervision of business execution.

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Graduated from the Faculty of Economics at Hitotsubashi University in 1986. Joined The Japan Research Institute, Limited (JRI) in 1990, where he served in the management strategy research and technology research divisions before assuming his current post. He currently oversees operation of industrial research and corporate evaluation from the perspective of corporate social responsibility at JRI's ESG Research Center. In 2003 and 2004, he worked on the 15th Corporate White Paper published by the Japan Association of Corporate Executives. Then, he was a member of the Association's Socially Responsible Management Promotion Committee working group. From March 2005 to May 2009, he was involved in formulating ISO 26000, the international standard for social responsibility for organizations, as a national expert in the ISO 26000 Working Group. He currently serves as a member of Mitsubishi Corporation's Sustainability Advisory Committee and as a member of the Advisory Board of The Research Institute for Local Public Transport. He is the author/co-author of titles including *An Illustrated Guide to Environmental Issues for Corporations* (Toyo Keizai Inc., 1999), *Business Growth Through Global Warming* (Toyo Keizai Inc., 2007), *Introduction to CSR for Employees* (Dai-ichi Hoki, 2008), *Introduction to Environmental Management* (Nikkei Publishing Inc., 2009), *Introduction to Natural Capital* (NTT Publishing, 2015), *An ESG Reader for Investors and Corporations* (Nikkei Business Publications, 2016), *The Complications of Corporate Governance Reform* (Kinzai, 2017), and *The Business Person's Guide to SDGs* (Nikkei Business Publications, 2018).

