

Tokio Marine: Our Climate Strategy

Tokio Marine Holdings, Inc. (President and Group CEO: Satoru Komiya, hereinafter “the Company”) released its "Climate Strategy", which outlines policies and initiatives to contribute to resolving social issues such as climate change and intensifying natural disasters.

1. Background

Climate change is a global social issue that poses a threat to the safety and security of our customers and local communities. At the same time, it has a direct impact on the insurance industry, making it an important issue that Tokio Marine Group must address globally.

We have continued our efforts to combat climate change through international initiatives such as the Geneva Association and the Task Force on Climate-related Financial Disclosures (TCFD) to promote Environmental, Social and Governance (ESG) initiatives and achieve Sustainable Development Goals (SDGs) and 2°C target of the Paris Agreement. In addition, we support further spread of renewable energy through our products and services, and have continued our efforts to achieve carbon neutrality and on the conservation and restoration of coastal biodiversity and wetlands through Mangrove Planting Project as part of our Green Gift project.

At the same time, there is an urgent need to accelerate efforts to address social issues of climate change and intensifying natural disasters around the world. As a global insurance group, the Company have decided to publish its "Climate Strategy," which articulates our strengthened efforts to demonstrate our leadership in this area.

2. Key points of our Climate Strategy (The full text is on the next pages.)

- ① To clarify our approach and stance on climate change, we have organized our Climate Strategy into four sections: strategy on climate change, governance, risk management, insurance underwriting and investment policies, and various other initiatives.
- ② Climate change is a global social agenda, and we will promote our initiatives described in our "Climate Strategy" on a group-wide basis including both domestic and international group companies.
- ③ Through our products and services which support spread of renewable energy and engagement with corporate customers on climate change and the environment issues, we help promote the transition to a decarbonized society.
- ④ Tokio Marine & Nichido, one of our major subsidiaries, formulated its ESG investment policy in March 2020 and other group companies also promote investments and financing based on ESG factors to support transition to a decarbonized society.
- ⑤ We will accelerate our efforts on resolving climate change issues through contributing to international initiatives for supporting various organizations and promoting international contribution activities.
- ⑥ Board of Directors of the Company resolves Group-wide sustainability policy including policy on climate change and monitors progress of mid-term and annual plans in order to acknowledge the status of various efforts on climate change properly .

※ We plan to publish our "Sustainability Report 2020" on September 30, 2020 (posted on our website), which incorporates our "Climate Strategy" announced today.

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Climate Strategy

At Tokio Marine Group, the fundamental purpose of our business is to protect our customers and local communities by providing safety and security in times of need. With this in mind, we have made it our core identity “To Be a Good Company” – one that can still support customers and society in their times of need 100 years from now. From our long history in the insurance industry, we have accumulated knowledge and experience that has enabled us to not just provide safety and security, but to contribute to societal development as well. In continuing to contribute toward solving societal issues, we help build a safe, secure and sustainable future that generates value for all of our stakeholders and our society more broadly.

Climate change is a global challenge that poses risks to the safety and security of our customers and society. The potential for the intensification and increased scale and frequency of severe weather and natural disasters poses a direct impact on the insurance industry. This makes climate change a top-priority issue that we must address head-on not only for our insurance business, which is our principal business, but also in our role as an institutional investor and as a global company. To that end, Tokio Marine is committed to implementing actions that help facilitate the transition to a low-carbon future. These actions will be based on the constructive dialogues and collaboration that Tokio Marine has with international organizations, governments, industries, academic institutions, civil society, and other groups and industries, and will be aimed at achieving the 2-degree Celsius target set in the Paris Agreement adopted at COP21 of the United Nations Framework Convention on Climate Change in 2015.

Below, we discuss the strategy we have in place to identify and manage the impacts that climate change can have on our business and our society, and Tokio Marine’s commitments and actions to support the low-carbon transition through our business activities.

Governance

Tokio Marine Holdings identifies and assesses climate change-related risks and opportunities as part of the development process of the Group’s sustainability strategy, which is developed by a dedicated sustainability team within the organization. Our Board of Directors plays an important role in overseeing Tokio Marine’s strategic approach to sustainability matters. The Board approves the Group’s sustainability policy, which includes our approach to climate change, and regularly monitors and evaluates the implementation of our near- and longer-term sustainability plans.

Effective Management of Risks and Opportunities

Effective and ongoing monitoring and management of climate-related risks and opportunities is elemental to Tokio Marine’s ability to serve the current and future needs of our customers and to create sustainable long-term value. Tokio Marine manages risks through our Enterprise Risk Management system, which takes into account climate-related risks. We also recognize that climate change may create new opportunities to enhance our products and services that respond to evolving customer needs and drive new value creation. Climate change poses various risks and opportunities to our business, primarily:

- **Physical risks:** Climate change has the potential to increase the frequency and scale of weather disasters, which poses risks to our non-life insurance businesses and companies with global operations like ours. This may also impact our ability to use historical data to effectively calculate premium rates and plan for payouts for future large-scale disasters. To enhance our ERM process and ensure we are adequately identifying and responding to emerging risks, Tokio Marine conducts scenario analysis using Intergovernmental Panel on Climate Change (IPCC) scenarios to analyze the potential impact of climate on our business.
- **Transition risks:** As the global momentum toward decarbonization accelerates, we anticipate that regulatory shifts, technological innovation, and asset value fluctuations may alter our business and investment environment and reshape customer needs for new or different products. We recognize that as a business we must flexibly respond to these changes, and are developing and offering products and services that cater to these diverse changes. The relatively short periods of non-life insurance contracts strengthens our ability to remain agile in addressing these risks through our products.
- **Opportunities:** Meeting the goals of the Paris Agreement will escalate the necessity for a diverse mix of power sources. This could lead to a growth in demand for insurance products that serve the renewables industry, including solar, geothermal, and onshore and offshore wind power. To adequately respond to this transition, we intend to enhance our risk evaluation practices in this area, and develop and offer an expanded array of insurance products for renewable energy businesses.

Accounting for Climate Change in our Business Strategy

Our core business is to provide solutions to protect our customers and society in their times of need, and we recognize that climate change will shape those needs. It is therefore critical that Tokio Marine take steps to identify and translate emerging risks into products and services that fit the evolving needs of our customers. It is equally as important that we seek opportunities to create solutions that support the transition to a low-carbon society. We are doing so through our insurance underwriting practices and investment and lending business.

Insurance Underwriting

We recognize the importance of addressing the environmental and social impacts of our core business and are committed to underwriting practices that will enable us to contribute to a transition to a decarbonized society. As part of that commitment, Tokio Marine will not provide new insurance underwriting capacities to coal fired power generation projects. We may grant exceptions for projects on account of circumstances such as national energy policy and other considerations in the relevant country, and in the context of the OECD Arrangement on Officially Supported Export Credits and other international guidelines. Our comprehensive decision-making process will also take into account other factors such as the availability of other options and alternative technologies. We will also engage existing customers to help advance environmental measures such as the use of advanced, highly-efficient power generation technologies or carbon capture, utilization and storage (CCUS) technologies [which can reduce or eliminate greenhouse gas emissions].

We also support sustainable growth and the transition to a decarbonized society by providing insurance underwriting capacities for renewable energy businesses such as solar and wind power companies through specialized products. We also make strategic acquisitions of companies with expertise in this area to accelerate our efforts to expand our business in this area.

Our underwriting policy enables Tokio Marine to further support the low-carbon transition while effectively managing risk, serving our clients and aligning with the priorities and plans codified within Japan's energy policies.

Investments and Lending

With respect to investment and lending, Tokio Marine will not provide new financing for coal fired power generation projects. However, as with our underwriting policy, we may take into account individual circumstances when making investment and lending decisions.

As a signatory to the United Nations-supported Principles for Responsible Investment (PRI), our investment and lending policy is developed in consideration of both financial and environmental, social and governance (ESG) criteria and is implemented through our Group companies Tokio Marine & Nichido and Tokio Marine Asset Management. Through these actions we support the integration of ESG and climate-related factors into our investment decision-making process. As an asset manager, Tokio Marine Asset Management maintains a Responsible Investment Committee comprising the heads of investment in each asset class to promote stewardship and active engagement around ESG topics.

Products and Services

As a global insurer, Tokio Marine has a significant amount of expertise through our ongoing monitoring of emerging risks and research on climate change and weather disaster risk in collaboration with the world's leading scientists and researchers. We translate this expertise into insurance products and related services to serve customers and local communities that support the transition to a decarbonized society:

- We offer insurance products for solar, wind, biomass, geothermal, and hydroelectric power generation in order to promote the utilization of renewable energy, and actively provide support for such power-generation initiatives. Our products include the Mega-Solar Package Program for solar power businesses, Geothermal Package Plan for geothermal power businesses, and Offshore Wind Power Package Insurance
- Within our asset management we offer specialized renewable energy funds, such as our Solar Energy fund launched in 2012 that supports investments in solar plants

In June 2020 we announced the completion of our strategic acquisition of GCube, a specialist renewable energy underwriter with a long track record of offering insurance products and services in the U.S., Europe and globally. This acquisition deepens our in-house expertise in renewable energy insurance and enables us to bring more products to market in support of a low-carbon transition.

Providing Leadership for a Low-Carbon Future

Addressing the global challenge of climate change and the transition to a low-carbon economy requires collaboration among all stakeholders. Tokio Marine has sought to be a leader among the business community in addressing climate change across multiple fronts, including:

Advancing domestic and international sustainability initiatives

As a major global insurer, Tokio Marine Group is using its position to support domestic and international initiatives to advance environmental sustainability and address climate change, and we are proud of our legacy of leadership. Since its launch in 2008, Tokio Marine has been co-chairing the Geneva Association's climate change initiatives (now under the Climate Change and Emerging Environmental Topics project), and providing leadership in supporting the global insurance industry in incorporating climate change considerations in corporate strategy and risk management.

Tokio Marine Holdings was an original member of and signatory to the Task Force on Climate-Related Financial Disclosures (TCFD) and has continued to demonstrate support of the TCFD recommendations through advocacy and in our own disclosure. We were also a founding signatory to the UN Environment Finance Initiative's Principles for Sustainable Insurance (PSI) and a founding member of the PSI's TCFD Insurer Pilot Working Group.

We also believe that it is important for businesses to participate in the development of regulatory and policy responses to climate change and environmental issues. To that end Tokio Marine has been an active contributor to domestic and international policy dialogues on climate-related issues, including those that led to the 2019 publication by the Government of Japan's Long-Term Strategy Under the Paris Agreement, which establishes a vision and actions to support the achievement of a "decarbonized society". The Strategy identified TCFD as one of the pillars to mobilizing green finance nationally, which led to the launch of the TCFD Consortium of Japan in May 2019. Tokio Marine was one of the founders of the Consortium, and remains actively involved as a member of the Steering Committee to advance climate-related disclosure practices in Japan pursuant to the TCFD recommendations.

Advancing science and research

Tokio Marine has been collaborating with various leading academic research institutions, including the University of Tokyo, Nagoya University, Kyoto University, and Tohoku University to conduct research on climate change and natural disaster risks since 2005. In addition to integrating this research into our own business and management strategy, we share this research through our partnerships with individual and corporate customers, local governments, non-governmental organizations and international organizations. We also hold annual seminars on natural disaster risks where we invite hundreds of corporate customers and officials to share the latest findings from our research activities.

Supporting climate resilience for society through our business

Our business purpose to provide safety and security extends beyond just the provision of insurance products – we can also leverage our expertise to help minimize damage in the event of a large-scale natural disaster and facilitate recovery. We are currently working on the development of new disaster prevention/mitigation solutions in collaboration with the Natural Research Institute for Earth Science and Disaster Resilience, among other organizations.

In the Asia-Pacific region, Tokio Marine has been representing the private sector to support the innovation and promotion of disaster risk financing and insurance (DRFI) under the auspices of Asia Pacific Economic Cooperation (APEC)'s Finance Ministers Process (FMP) since 2015. DRFI was identified under as one of its priority policy issues under the Cebu Action Plan, a roadmap for a sustainable financial future for the Asia-Pacific region, and helps to build resilience in communities subject to increasingly severe weather disasters.

In our own operations, we set targets for our operational emissions to guide us in addressing our own climate impact. For 2020, Tokio Marine & Nichido has set a target of a 40% reduction in CO₂ emissions compared with the 2006 baseline. It also maintains a long-term target of a 60% CO₂ emissions reduction by 2050 compared with the 2006 baseline.

Tokio Marine is proud to have achieved carbon neutral status in our operations for seven consecutive years since fiscal 2013. We have achieved this in part through our longstanding mangrove planting project in the Asia Pacific region, which not only revitalizes a threatened ecosystem but also offsets our carbon emissions through the absorption and retention of CO₂ emissions. We started mangrove planting in 1999 and have planted mangroves on 11,240 hectares across nine Asia-Pacific countries as of March 31, 2020. The estimated cumulative economic value of the ecosystem services generated from the planting of mangrove trees for twenty years from April 1999 to March 2019 is over 118.5 billion yen. In addition, in October 2019, Tokio Marine Group participated in the United Nations *Communities of Ocean Action for supporting implementation of SDG14* and announced the Mangrove-based Value Co-creation 100-Year Declaration which is designed to create value through the provision of solutions based on mangrove trees. In addition, we have adopted energy-saving measures, reduced our energy consumption, promoted the Eco Safety Drive Project, and increased the utilization of renewable energy.

We recognize that climate change will have far-ranging impacts on our business and on society, and that we must effectively adapt to this evolving landscape. We are dedicated to addressing climate risk and opportunity within our business by working with our customers to identify solutions to fit their evolving needs, engaging in national and international dialogues to advance the international response to climate change and the low-carbon transition, and supporting the low-carbon transition in our own operations and through our business activities.

For further details on our climate-related actions and initiatives, please refer to our Sustainability Report, Integrated Report, and climate-related disclosures referring to the recommendations of the TCFD.