



Sompo Japan's Experience in Socially Responsible Investment

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Sompo Japan Insurance Inc.

◆ **Sompo Japan was founded in July 2002 through the merger of the former companies, Yasuda Fire and Marine Insurance and Nissan Fire and Marine Insurance.**

◆ **Sompo Japan is now the second largest non-life (casualty and property) insurance company in Japan with net premiums of approximately US\$12 billion.**

◆ Total assets	US\$44 billion
◆ President and Chief Executive Officer	Hiroshi Hirano
◆ Employees	15,815
◆ Agencies	76,360

(As of the end of March 2003)

◆ For more details . . .

◆ *Sompo Japan Annual Report 2003*

◆ *Sompo Japan Sustainability Report 2003*

Sompo Japan's Environmental Management

1. Provide New Products and Services
 - Eco-Fund “Buna no Mori” (“Beech Forest”)
 - Industrial Waste Emissions Liability Insurance
 - Discount on Insurance Premium for Eco-Cars ...

2. Promote Resource Conservation Activities
 - ISO 14001 certification
(Head Office & Data Processing Center)
 - Introduction of EMS ...

3. Social contribution activities in the environmental field in partnership with highly specialized NPOs.
 - Seminar on the Environment for Citizens
 - CSO Learning Program ...

Environment-related external activities

1. UNEP

Sompo Japan signed the UNEP (United Nations Environment Programme) Statement of Environmental Commitment by the Insurance Industry in November 1995.

2. WBCSD

Sompo Japan is working as a member of the WBCSD (World Business Council for Sustainable Development) as the only Japanese financial institution.

At the World Summit on Sustainable Development held in Johannesburg in South Africa in September 2002, we signed the WBCSD Statement on the Financial Sector with ten financial institutions.

Sompo Japan and SRI



1. Screening

- Development and launch of the Eco-Fund “Buna no Mori” (“Beech Forest”) (since 1999)

2. Shareholder activism

- SJAM (Sompo Japan Asset Management) compiled guidelines for proxy voting.
- Environment and Social Relations Division works together with the Investment Planning Department for exercising proxy voting


3. Community investing

- Various donations to NPOs /CSOs
- Grant-making activities through the Sompo Japan Environment Foundation

4. Promotion and information activities

- Holding an in-company seminar on SRI
- Writing articles and making presentations

Investment Trust “Beech Forest”



Overview of “Beech Forest”

An open-end investment trust that invests in the stock of Japanese companies positively addressing environmental issues.

Number of financial institutions selling “Beech Forest”: 100

Some financial institutions are clearly positioning the sale of Eco-funds as part of their environmental activities or management.

Current net assets: approximately US\$70 million.

(exceeded US\$170 million one month after launch)

Concept

The stock value of companies tackling environmental issues will increase in the medium to long-term.

Purpose

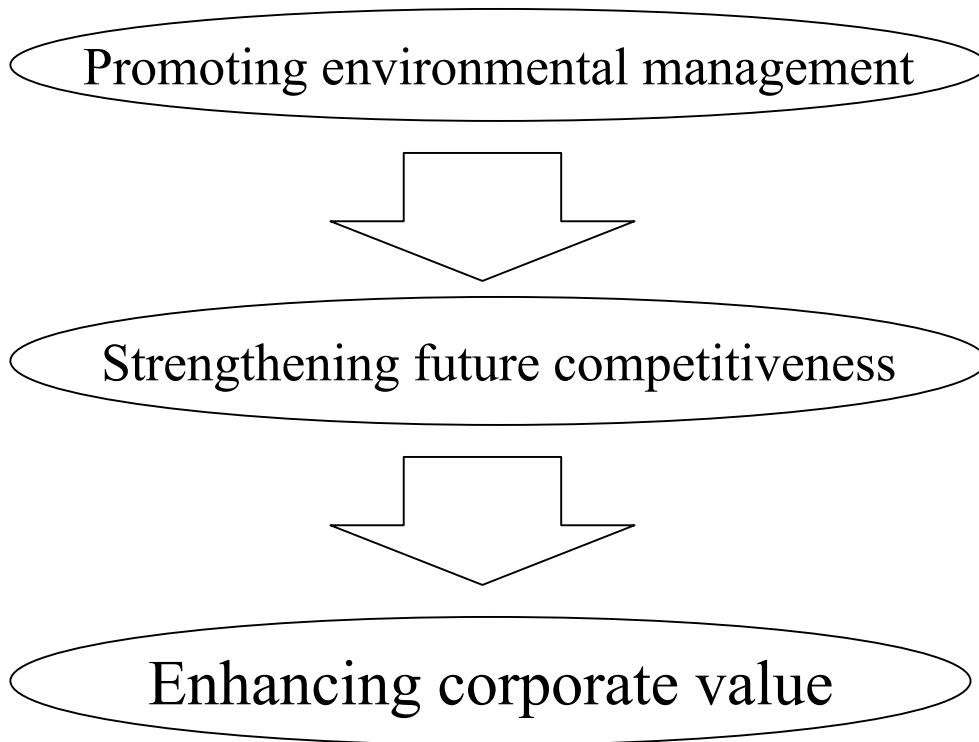
Support Japanese companies tackling environmental issues by purchasing their stocks

Expand “Green Investors” in Japan

Linkage Between Environmental Management and Corporate Value

There remains an argument as to whether the promotion of environmental management will lead to the enhancement of corporate value.

As a hypothesis, we present the following theoretical path.



We have examined some cases of actual corporate environmental management in Japanese companies, and have found that there are companies that implement environmental management to acquire future competitiveness. This way of thinking and actual behavior of such companies is consistent with our hypothesis.

Why we decided to launch ‘Beech Forest’?

Part of Sompo Japan’s environmental management

Sompo Japan’s environmental management has three focal points:

- <1>Provide new products and services
- <2>Promote resource conservation activities
- <3>Social contribution

Head office acquired ISO 14001 certification

Environmental awareness in Japan is strengthening

Corporate environmental management among Japanese corporations has been extended

Expectation that the financial industry should do more for environmental protection

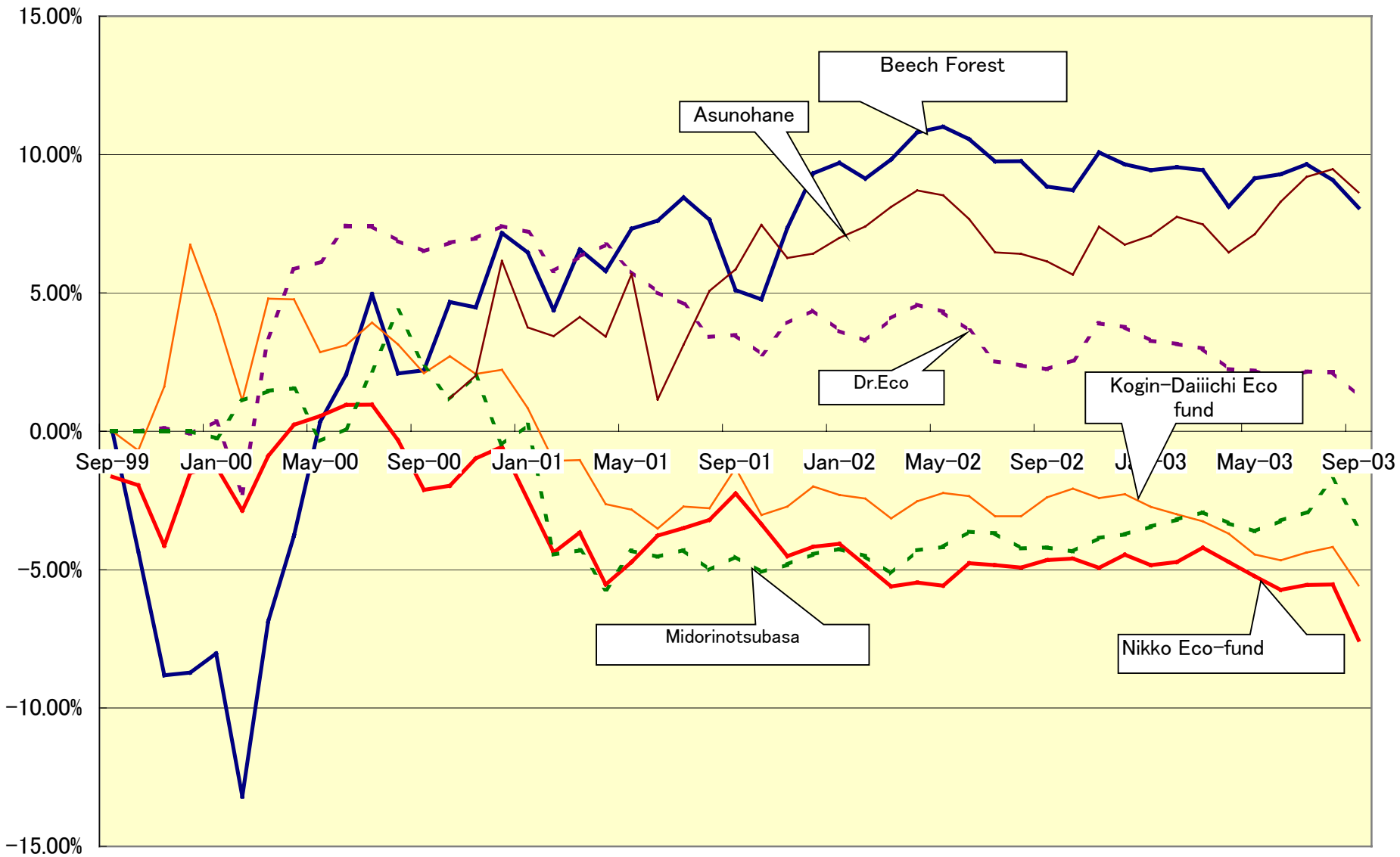
Performance of “Beech Forest”

“Beech Forest” has shown strong performance, exceeding the TOPIX by 7.95% since its inception.

As of October 7, 2003

	one month	three months	six months	a year	since inception
Price	1.60%	8.49%	26.62%	16.34%	-21.25%
TOPIX	3.25%	12.01%	34.42%	20.74%	-29.20%
difference	-1.65%	-3.52%	-7.80%	-4.40%	7.95%

Eco Funds' excess earning rate for TOPIX



What was the effect of launch of “Beech Forest”?

“Beech forest”

(externally)

- Provided “Japanese Green investors” with Green financial products
- assisted businesses to work on environmental issues through investment

(Internally)

- Importance of SRI was widely recognized
- Success of “Beech Forest” contributed to SJAM’s business
- Strengthened Sompo Japan’s position as sustainability leader among Japanese insurance companies.

External evaluations for “Beech Forest”

“Beech Forest” gained the highest evaluation of 5 stars in a 401K evaluation by Nomura Research Institute.

Nomura Securities evaluated investment trusts, and “Beech Forest” entered the top 10 and gained a "☆☆☆☆☆" evaluation (the highest evaluation) .

“Beech Forest” was ranked 8th among 298 general type (domestic stock) investment trusts. The total net assets of “Beech Forest” is the largest among the top eight funds.

Screening Process of “Beech Forest”

Environmental analysis (by Sompo Japan Risk Management)

We believe that the stock value of companies tackling environmental issues will increase in the medium to long-term.

(Tackling environmental issues is a corporate strategy for survival since it affects a company’s competitiveness.)

Financial analysis by Sompo Japan Asset Management

Assets have their own essential investment value (intrinsic value) and their market value will trend towards these essential values.

(The intrinsic value of stock is the present value of its future dividends.)

Environmental Universe

500

Portfolio

60-70 stocks

Environmental universe is renewed once a year

Screening Process of “Beech Forest”

Source of Information

- * ISO14001 certification
- * Environmental report
- * Newspaper, magazine, Internet, Seminar

Questionnaire

- * The number of companies we asked to answer questionnaires is increasing
- * For FY2003, we asked 500 companies

Interview

- * Interview staff in charge of environmental issues



Relative screening within industry

▪ Positive screening

Principal criteria for environmental screening

Development of Environmental Management

- Environmental policy
- Commitment by top management
- Organizational structure
- Environmental management

Disclosure of Environmental Information and Communication

- Environmental reporting
- Disclosure of environmental performance
- Communication with stakeholders
- Corporate philanthropic activities

Reduction of Environmental Load and Improvement of Eco-efficiency

- Reduction of environmental impact at the manufacturing process
- Development of green products
- Life Cycle Assessment
- Safety Management of Chemicals
- Environmental Technology
- Reduction of resources and energy consumption

Examples of Questions Asked in the “Development of Environmental Management” Section

Does the company have an active environmental policy?

What is the scope of application?

Does the company have an environmental management system?

What is the scope of application?

Is there an environmental officer at the executive management level?

Does the company have a specialized department for environmental protection?

Has the company introduced an environmental accounting system?

If so, how is it applied?

Examples of Questions Asked in the “Disclosure of Environmental Information and Communication” Section

How does the company disclose its environmental information?
(Environmental report or other reports that contain environment-related or web-based information?)

Does the company have direct communication with its important stakeholders in environmental issues?

Does the company disclose environmental performance data?

What kind of corporate philanthropic activities does the company do?

Examples of Questions Asked in the “Reduction of Environmental Impact and Improvement of Eco-efficiency” Section

Has the company drawn up reduction targets for the consumption of energy and CO₂ emissions and wastes emissions?

--If so, what is the scope?

--Domestic operation?/International operations? Including group companies?

Does your company have ‘top runner’ products which show excellent environmental performance?

--Please list the product name and state reasons.

Has the company adopted Life Cycle Assessment (LCA)?

--What percent of all products does this relate to?

Has the company adopted strict environmental criteria or an eco-design scheme to promote the development of environmentally-friendly products and services?

Environmental Ratings and the Weighting of Companies in the Portfolio

Top 25% within the industry rated as A; 25%-58% rated as B; bottom 42% rated as C.

The weighting of a company in the portfolio can be modified on the basis of its environmental rating.

(The fund manager increases or decreases the weighting of a company in the portfolio based on its environmental rating.)

Usually A-rated companies increase the initial weighting by 25%.

“Beech Forest” Disclosure

Weekly/Monthly Report

- * Top 20 stocks in portfolio (weekly)
- * All stocks in portfolio (monthly)
- * Fund manager’s comments on performance
- * Environmental activities of companies in portfolio

“Beech Forest News” (Quarterly)

- * The latest news on environmental management
- * Providing environmental news

Official Financial Statements (Annually)

- * Disclosure of all stocks in portfolio

<http://www.sjam.co.jp>
(Japanese only)

Future Perspectives



1. Development of SRI products for pension funds.
2. Introduction of SRI for the Sompo Japan Pension Fund.
3. Introduction of SRI for Sompo Japan's own asset management.
4. Development of guideline for proxy voting

A wider interpretation of fiduciary duty should be adopted by the investment team within the company.

More in-company educational efforts are needed.

Thank you very much for your kind attention.
If you have any question, please feel free to contact me.
For more details, please see our Sustainability Report 2003.

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