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The Report

Once again, Sompo Japan proves through its CSR Report 2005 how the company helps drive the CSR agenda in Japan with its continued focus on relevant issues within the insurance sector - developing programmes where the company can make a difference. In this way, Sompo Japan is leading the way for other Japanese companies to follow.

All companies face the dilemma of satisfying diverse stakeholders' needs for transparent communication and at the same time ensuring a readable and manageable report format. In its CSR Report 2005, Sompo Japan has managed to strike a good balance between covering its CSR activities and yet not getting into detail on all issues, setting the context and staying within the defined scope for the CSR Report 2005. The fact that Sompo Japan is included in the Dow Jones Sustainability Index proves that its initiatives are relevant and high performing.

As an insurance company, Sompo Japan has the opportunity to not just ensure a balanced CSR performance of its own activities, but also directly affecting its customers. Indirectly, Sompo Japan acts as a responsible business in the community through its employees by engaging in community activities like the *Chikyu* (Earth) Club.

Going forward

One way of dealing with the challenge of continued reporting on CSR is to engage with company stakeholders to define what are material issues to them and the company, and also working together to resolve how the company can be responsive to their issues. Sompo Japan might find it valuable to explore its main stakeholders' perspectives on Sompo Japan's CSR work from:

- customers by reporting on general trends from the review of customer feedback
- investors by discussing the effects of its inclusion in DJSI and what confidence this gives
- employees by further focusing on employee participation in Sompo Japan's CSR work.

A challenge to put forward to Sompo Japan is to continue working to improve how performance is presented in its future CSR Reports. At the moment there are areas where the annual performance of initiatives is not clearly communicated. Neither is it clearly communicated whether the identified targets have been achieved. A good way to structure this work is by reporting on performance around the indicators in GRI's 'Sustainability Reporting Guidelines 2002', considering whether it is possible, and meaningful, to report 'in accordance with GRI.'

Finally, to further enhance the transparency of the information in the CSR Report 2005 and to further inspire trust and confidence that Sompo Japan is reporting on all material issues, Sompo Japan should consider having their future CSR Reports assured by an external third party following the guidelines in the AA1000 Assurance Standard.

Mr. Scott T. Davis
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This is the fourth annual CSR report produced by Sompo Japan and it is without doubt the best to date.

Coordination

Many CSR reports start with a few vague remarks from the CEO grudgingly acknowledging the importance of society to the business and making a few abstract points regarding social/environmental betterment which are thereafter largely ignored in the report. Mr. Hirano's introductory remarks are far from vague - he makes a clear statement of what Sompo Japan stands for, how it aims to achieve its business goals responsibly, and whom it aims to benefit. These themes are then taken as the basis for the rest of the report and are used as a set of reference points upon which the information and discussions that follow are hinged. These introductory remarks set the constructive and positive tone for the report as a whole.

This year's report represents the most comprehensive attempt to date to account for (1) progress in the development of processes for integrating social, environmental and business objectives, and (2) reporting on Sompo Japan's achievements in contributing to society in Japan and abroad as a socially aware corporation.

Message and Method

Information on initiatives to promote interactive communication between Sompo Japan and its customers, shareholders, employees, and environmental and social stakeholders comprise the bulk of the report. This stakeholder-based structure is a carry over from the 2004 report but has been given a more systematic organization this year.

Despite the breadth of the material covered, there is far more co-ordination between, as well as within, the topics covered in the report than in previous years. Each section is set out in a format explaining the nature of initiatives as projects, plans for their accomplishment, and reports on their performance.

Most of the information - particularly information concerning environmental issues - given in the report is couched in terms of progress on annual goals which in many cases now extend back for several years.

Two-way Communication

Although a CSR report can be an invaluable tool for corporations that wish to engage in a dialogue with their stakeholders, many corporations use these reports as yet another tool in their arsenal for "handling" the public. Sompo Japan is using its report again this year to further promote stakeholder dialogue. Again, this is not simply the result of a "one-off attempt to do good," but part of a coordinated effort to "do good business." In the case of communication with customers, for instance, this emphasis on feedback and constructive interaction is founded firmly upon the first "S" in Sompo Japan's corporate policy that gives priority to "quality in service" over "quantity in sales."

Two special reports have been added to this year's report - "1: Acting on Global Warming," and "2: In Pursuit of a Better Society through Financial Markets." These represent an ambitious and somewhat daring attempt to state a clear position on, and formulate an integrated response to, two critical issues - global warming and the socially responsible management of financial markets. It is not rare for a Japanese company to take a public stance on critically important issues such as these, but it is very rare for a Japanese company to go beyond words and take action by integrating a response into its business strategy. It is hoped that these initiatives will prompt feedback from an even wider range of stakeholders and promote an even more active dialogue.

Corporate Values and Business Value

Sompo Japan has gone a long way to redress the weaknesses in its previous reports while further enhancing their strengths. The need remains however, for Sompo Japan to provide an even more thorough and objective account of how, and to what extent, its values as a responsible corporate citizen enhance its value as a business, and how its strengths as a business translate into good citizenship.

Mr. Hanns Michael Hölz
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After reading the "Corporate Social Responsibility Report," I have to compliment Sompo Japan Insurance Inc. on its numerous and highly impressive activities pursued in the field of corporate social responsibility. There are few companies with such a wide range of commitments and involvement in so many initiatives on the basis of so sound and ideal principles. One could truly say that the company lives completely up to the great expectations which are set by the statement "responsibility as an enterprise."

I would like to emphasize not only the way Sompo Japan incorporates the best possible standards concerning sustainability, whether that is the proactive pursuit of a better society or the conduction to mitigate climate change. Furthermore it is to be seen as a model in the relations to its employees. Sompo Japan embraces and includes every colleague in the company's commitment. And, as a proverb says: The customer is king at Sompo Japan.

So Sompo Japan truly goes for the triple win: socially responsible, environmentally sound, and in addition to that, economically viable. Particularly the two special reports "Acting on Global Warming" and "In Pursuit of a Better Society through Financial Markets" demonstrate that there is no such thing as a challenge too high for Sompo Japan. As a matter of fact, every task is seen as a solvable assignment and set to with alacrity. At the same time, features like transparency, integrity, appropriateness as well as effectiveness and efficiency are promoted and acted upon.

In the sense of an imaginary multiple identity, I would be rather proud to be all at the same time: customer, shareholder, investor as well as employee of Sompo Japan. I am deeply convinced that 2006 will be prosperous and successful in every matter for Sompo Japan, and I wish Sompo Japan and its employees strength, wisdom and stamina to achieve all the high set goals they aim at.

Ms. Carolyn Schmidt
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Sompo Japan's Corporate Social Responsibility Report for 2005 demonstrates serious commitment to a continuous improvement approach to defining and implementing corporate social responsibility. Most notably, the 2005 report reflects improvements in reporting based on the recommendations of those asked to comment publicly on the 2004 report.

Sompo Japan uses its role as an insurance company to encourage clients' investments in environmental protection, climate change mitigation, hazardous waste clean-ups, and alternative energy sources, and to minimize those clients' risks. While the insurance industry is uniquely positioned to leverage decisions in other businesses, the practice of extending the reach of corporate social responsibility beyond the immediate boundaries of a reporting entity sets a standard to which others should aspire.

Sompo Japan promotes the practice of social and environmental sustainability by lowering barriers for those who might otherwise hesitate to engage in CSR by:

- Offering weather derivatives to protect owners of wind turbines and of home solar energy systems, thus supporting investment in these clean energy sources;
- Offering insurance for liability and clean-up costs for soil pollution which had not been detected by initial pollution surveys, thus encouraging honesty and more complete mitigation of existing problems;
- Supporting ecologically friendly companies by developing and marketing SRI (Socially Responsible Investment) funds, such as "Beech Forest eco-fund" and "Empowering Our Common Future".

While engaging in a wide variety of carefully constructed CSR programs, Sompo Japan's CSR Report for 2005 identifies global warming as one of its two key priorities. Such a public commitment to clear priorities models leadership and a mature CSR program. Within its CSR commitment to addressing global warming, Sompo Japan has identified two areas where it can have the greatest impact:

- "Adaptation" to global warming- includes providing clients with assessment of wind and water disaster risks related to climate change, and developing programs to promote disaster preparedness and safety measures;
- "Mitigation" of global warming -includes Sompo Japan's efforts to measure and reduce its own greenhouse gas emissions (carefully documented in this report), as well as its insurance programs that encourage alternative energy use, hybrid vehicles, etc.

Notable also is Sompo Japan's cooperation with, and support of, non-profit and civil society organizations through providing competitive internship opportunities, paid leave for employees to do volunteer work, and joint public education programs. Cultivating an ethic of social responsibility among employees, and encouraging action on this ethic, is a laudable effort to build bridges to larger communities.

Suggestions for 2006 Report:

- 1) Continue the high-quality graphics, which add greatly to the accessibility and readability of the report;
- 2) Continue the focus on stakeholder communication and involvement, but provide more specific examples of how these dialogues are actually conducted, or what specific decisions were implemented as a result of these dialogues.

Leverage towards New Year 2006

Thank you so much for taking an interest in the fourth issue of the Sompo Japan CSR Report.

As in the last issue, we have prepared this independent report with our readers from outside Japan in mind. In producing the Sompo Japan CSR Report, we secured the translation expertise of Japan for Sustainability (JFS), a leading Japanese NGO that disseminates a substantial amount of information on environmental and sustainability-related activities across various sectors in Japan to the world.

This publication could also not have been possible without the great efforts and enthusiasm of our four third-party commentators. They not only contributed precious comments and opinions based on their expertise, but they also provided us deep insight into our reporting through a number of two-way communications which we believe are indispensable for the further development of our CSR initiatives.

Over the coming year, we will advance our activities through the framework of *the UN Global Compact*, in which we just announced our participation this month. We believe that our commitment to the 10 principles of *the UN Global Compact* will be our leverage for the coming New Year 2006.

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