

sustainable japan

ESG promotional content produced by The Japan Times Cube

There is no 'rearview mirror' for climate change, vice president says

Insurer Sompo's Ken Reilly adapts to growth, future

Name: Ken Reilly
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URL: <https://www.sompo-intl.com/>
Hometown: Kobe
Years in Japan: Cumulative 28

WARREN MEEHAN
 CONTRIBUTING WRITER

Having grown up in Japan, followed by completing an international business degree in the United States, insurance executive Ken Reilly soon realized he had a fervor for an international career. After stints with insurance companies in New York, London, Hong Kong and Bermuda, Reilly moved over to the Sompo Group, where he took up the position of executive vice president. "Pretty early on in my career, I knew I wanted to pursue an international career," the bilingual executive said. "Having grown up in a very diverse, multicultural setting, I really wanted to leverage that background. I felt having that ability to adapt, appreciating and understanding cultural differences, would help me be influential in international business — I always felt that my strengths were in that area."

Adaptive collaboration

Reilly began by explaining that his role at the Sompo Group is working with the international division of the property and casualty business unit. With the Sompo Group's acquisition of U.S. property and casualty insurer Endurance Specialty

Holdings in 2017, international business has been growing exponentially. "I'm working with the Sompo International leadership team on how we can expand and increase our presence globally. Moreover, part of my role is to make sure that our business and our international strategy are well understood among the Sompo Group here in Japan."

Reilly is also engaged in the new One Sompo initiatives. "That's really about leveraging our strengths, globally, across the businesses, including our domestic property and casualty insurance, our life insurance businesses, our nursing care and our digital business, to ensure we're collaborating and aligning on our strengths and bringing it together wherever it makes sense."

Reilly's next challenge will be to help further globalize the P&C business by connecting our strengths across countries and business units that have long operated very independently. A further challenge will be agreeing on areas of strengths, while also respecting areas of business that are best suited to continue independently. "The challenge always stems from history, the way we've done things, the way we ought to do things," Reilly said. "We need to act globally but also remain connected locally."

Understanding climate risk

"From a group perspective, we have a chief sustainability officer who sets priorities across the Sompo Group businesses. On the Sompo International side, we also have a head of ESG," he said. "And as you can imagine, as an insurance com-

pany, which provides coverage for natural catastrophes, we have a vested interest to ensure that we are properly understanding climate issues."

According to Reilly, the Sompo Group is taking steps to understand its data and get insights to further its ESG efforts. At the moment, its ESG officer is working closely with the Sompo business units to help analyze climate impact on their portfolios.

Think globally, work locally

"From a Sompo perspective, sustainability and ESG is certainly on our agenda. Our ESG officer is very active, developing our sustainability strategy, assessing our climate risks, understanding our own carbon footprint, communicating and educating both internally and externally and ensuring sustainability is a companywide effort," he said.

"We need to understand where we are and how we can do our part as an organization of 74,000 people, and how we can engage our employees and distribution partners. This includes a lot of webinars and seminars about the issues and sparking further interest in volunteerism and philanthropy in the communities that we serve."

With operations in over 27 countries, Reilly believes there are still plenty of opportunities where the Sompo Group can help promote its ESG goals and support sustainability by acting in more philanthropic ways within local communities. "Our ESG officer is working with those respective countries to ensure that that's built into our plans," he added.



HIDETAKA NOBU

N.Y., London, Hong Kong, Tokyo

Ken Reilly grew up in Kobe before completing a bachelor of business degree at Villanova University in Pennsylvania in 1995. He quickly moved into the insurance industry, first as a reinsurance underwriter in New York before experiencing positions in Bermuda and London.

After returning to New York in 1999, he joined AIG as a financial institutions underwriter and then eventually moved to its London office in 2004. Reilly moved to Hong Kong in 2008 in a regional role before moving to Tokyo to take up a position leading the commercial business. He was named president and CEO at AIG General Insurance (AIG Sompo) in 2018.

He moved to Sompo International to open its Tokyo office in July of 2022, where he now serves as executive vice president and head of the Tokyo Office and also acts as executive vice president of Sompo Holdings.

Keeping up the pace

Outside of work, Reilly is a challenged but enthusiastic golfer as well as a recent participant in the Tour de Tohoku charity bike race in Ishinomaki. "It's with a group of industry folk. It's not really a race, but it's a ride around the area, which all started as a fundraiser for an area still recovering from the 3/11 tsunami. This weekend will be a 150-kilometer tour, which I'm extremely nervous about — I've never ridden that far."

While Reilly values exercise, what he values most is time with his family: "spending time with my wife and two kids, and my disobedient two dogs. Having that balance and reminding yourself on the priorities you have in your life — that's quite important to me."



PRI webinar focuses on seeing interconnections of ESG issues

ESG/SDGs

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On Sept. 1, Principles for Responsible Investment (PRI) hosted a webinar centered on investment and the nexus of climate change, biodiversity and human rights. The session featured Kenji Fuma, founder and CEO of the sustainability consultant Neural Inc. Additionally, a panel discussion included Fuma; Minoru Matsubara, executive officer and general manager of the Responsible Investment Division at Resona Asset Management; and Michio Morisawa, Japan head of PRI. The panel discussion was moderated by Fuyumi Takeuchi, senior ESG specialist as part of the Responsible Investment Department at Nomura Asset Management. The participants engaged in an in-depth conversation about the interconnectedness of sustainability issues.

Individual ESG fields such as climate change, biodiversity and human rights encompass a vast array of challenges. Fuma underscored that rather than addressing each issue in isolation, it is crucial to recognize their intertwined nature. By advocating for a holistic approach, Fuma emphasized the need to see the bigger picture and consider how addressing one issue can have ripple effects on others.

Fuma pointed out that existing models of economic development and increased food production can lead to the destruction of the natural environment, as well as water and sanitation problems. Measures to combat climate change can inadvertently harm biodiversity. Thus, when formulating solutions for climate change, it is vital

to account for their effects on biodiversity, and vice versa. In essence, a holistic, bird's-eye view is essential for navigating the complexities of ESG concerns effectively.

During the panel discussion, the interconnected nature of sustainability issues was a central topic. Matsubara pointed out that the days of addressing individual issues are behind us. Moving forward, investment managers need to define the ideal society of the future with "purpose," organize the relationships among issues, and act accordingly. He further underscored the significance of intentionality for striving toward an ideal society. Matsubara believes that having a clear intent is paramount for investors. He expressed his view that such intentionality is intrinsically tied to the interconnected challenges and foresees it becoming a central theme in responsible investment discussions moving forward.

Matsubara also remarked: "While companies recognize the importance of these issues, collaboration deepens understanding. Collaborative engagement is crucial, helping us highlight the nexus of the challenges we face."

Morisawa from PRI also emphasized the interconnected nature of ESG issues, advocating against viewing them as standalone challenges. She delved into the sustainable finance taxonomy set up by the European Commission in 2020. This classification system, formulated after extensive research and suggestions from 35 experts, encompasses six categories. Central to this EU taxonomy is the nexus principle: Even if one category benefits, it should not adversely impact the others. Morisawa noted that the EU taxonomy is being utilized around the world and that the need for such a taxonomy is beginning to be recognized in Japan as well.



Kenji Fuma gives a few words THE JAPAN TIMES

"Every day, we confront challenges such as sweltering heat, the onset of typhoons, torrential downpours, river floods and unyielding wildfires in arid regions. Some places even risk vanishing due to rising sea levels. There's so much to consider. Yet, by understanding the interconnection of these issues and addressing each clearly, we can chart our future course," Morisawa stated.

The panel delved into the concept of "just transitions," emphasizing the importance of transitioning to a sustainable society equitably for all stakeholders: customers, employees, supply chains and local communities. This fair approach is crucial when addressing environmental challenges like climate change, biodiversity and human rights. Morisawa highlighted the closure of coal mines in Europe and the shift to electric vehicles in Japan's auto industry, stressing that such transitions must ensure that no one is left behind.

Fuma also emphasized that in formulating a transition plan, it is vital to understand the nexus among all issues in ESG and ensure that the transition is just and inclusive for all these areas.

In wrapping up the session, Morisawa highlighted the deep-rooted Japanese tradition of valuing and revering nature and human relationships. She expressed a strong interest in fostering discussions rooted in these cultural values and collaborating with stakeholders to drive quality investments.

The Sustainable Japan section highlights issues related to the environment and a sustainable society. For more information, see <https://sustainable.japantimes.com>



Panel discussion participants, from left: Fuyumi Takeuchi, Fuma, Michio Morisawa and Minoru Matsubara THE JAPAN TIMES

JAL is orienting path toward leading on sustainability

Mission: Sustainability

OSAMU INOUE
 RENEWS

For more than a decade Japan Airlines Co., Japan's flag carrier, has focused on safety and stability. But it is now ready to achieve net-zero CO2 emissions.

In 2020, JAL became the first Japanese airline to set a target of achieving net-zero emissions of carbon dioxide by 2050. The next year, it announced JAL Vision 2030. In May 2022, it established a major policy that set ESG strategy as the centerpiece of its management strategy.

JAL's Scope 1 and 2 emissions represented 82% of its total emissions in 2022 — and as much as 99% of that figure was direct Scope 1 emissions from aircraft. All aircraft in operation around the world emit more than 1 billion tons of carbon dioxide per year — a total that is estimated to account for more than 2% of the CO2 emissions from all human activities, and greater than those from railways or shipping.

Pledging early

"First of all, there was a strong sense of crisis in the company, and we worried that the company might not be able to survive unless we seriously addressed the issue of sustainability," said Noriko Ogawa, vice president in charge of the ESG Promotion Department in JAL's General Affairs Division.

"Then President Yuji Akasaka insisted we pledge to achieve net-zero CO2 emissions at the general shareholders meeting in June 2020. That was the start of a major change." In Japan, JAL was the first. At that time, only a handful of companies in the world had made the pledge. JAL's actions prompted other companies to follow suit.

Furthermore, in May 2021, JAL set an interim target of a 10% reduction in CO2 emissions from the 2019 level by 2030. It was at the time the most ambitious target for any airline worldwide and surprised its rivals. JAL aims to achieve this tough, self-imposed target by "upgrading to fuel-efficient aircraft," "reducing CO2 emissions in daily operations" and "supporting the development and the use of sustainable aviation fuel (SAF)."

JAL aims to achieve a 100% reduction from the 2019 level by 2050 and it expects

to be able to achieve 50% of this reduction through the greater use of cutting-edge, fuel-saving equipment.

In September 2019, the company introduced the Airbus A350 in domestic routes. This was followed by the introduction of the Boeing 787 to domestic flights. These aircraft can reduce CO2 emissions by 15% to 25% from the levels of conventional counterparts.

JAL expects to be able to eventually cut emissions by 50% with the help of next-generation aircraft, including those propelled by hydrogen or electricity, which it is considering introducing.

In 2022, JAL also came up with the creative idea of extending scheduled flight times by five minutes for some of the last flights from Haneda Airport to destinations in western Japan and Kyushu, aiming to reduce fuel consumption by allowing pilots flexibility in choosing altitudes and speeds that are more efficient, expecting these efforts will add up to a reduction of 5% by 2050.

Sustainable aviation fuel

SAF is an environmentally friendly fuel manufactured from materials such as used cooking oil and sugar cane. As it is made from waste materials through processes that use renewable energy, SAF is estimated to reduce emissions of carbon dioxide by 50% to 80% over conventional jet fuel, which is made by refining crude oil. Since it can be mixed with regular jet fuel, it can be used in conventional aircraft.

The European Union has been working on a bill that would require a minimum SAF content in fuel at EU airports of 37% in 2040 and 85% in 2050. The U.S. has set a target of replacing all standard aviation fuel with SAF by 2050 and has been supportive of efforts to develop technologies related to its production.

JAL and ANA Holdings Inc., the two largest airline companies in Japan, together joined the World Economic Forum's Clean Skies for Tomorrow Coalition, which promotes greater use of SAF. The companies signed a memorandum that aims to replace 10% of the fuel in their aircraft with SAF by 2030.

But SAF is said to be two to 10 times more expensive than conventional jet fuel. And its supply is still woefully insufficient. Compared to the 400 million to 500 million liters



JAL is in the process of introducing the fuel-saving Airbus A350 in its fleet. JAL

of sustainable aviation fuel that JAL alone will require in 2030, the global total was 63 million liters in 2020 — just 0.03% of all aviation fuel. There are only a handful of companies in the world that currently can steadily supply SAF. And in Japan the infrastructure for supplying it has yet to be established.

In 2018, JAL launched a project to make SAF from old cotton clothing. Collecting 250,000 pieces of old clothing from around Japan, it successfully manufactured Japan's first SAF that qualified under an international fuel certification. In 2021, JAL flew the first aircraft using this fuel on a regular flight, and later it flew the first aircraft using two domestic types of SAF made from wood chips and microalgae.

However, these projects and tests are still insufficient. Unless sustainable aviation fuel can be mass-produced, prices will remain high and wider use will not be achieved. JAL thus became one of the founders of the Act for Sky group, a collaboration that aims to achieve a stable supply of domestically produced SAF.

JAL, which had been strictly a buyer of fuel, has now teamed up with companies on the supply side in an effort to realize sustainability. It has been working on initiatives toward making the economy circular, including reducing its use of disposable plastics, with a target of entirely eliminating single-use plastics in aircraft cabins and airport lounges by 2025.

Scan the QR code to read the full article about JAL's leading commitments and initiatives that contribute to the environment.

