



Task Force on Climate-Related Financial Disclosures Report 2020

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Introduction

Overview

Aflac's principal business is supplemental health and life insurance products for people who have major medical or universal coverage with the goal to provide customers the best value in supplemental insurance products in the U.S. and Japan. When a policyholder or insured gets sick or hurt, the Company pays cash benefits fairly and promptly for eligible claims. Throughout its 65-year history, the Company's supplemental insurance policies have given policyholders the opportunity to focus on recovery, not financial stress. As a market leader in the supplemental insurance industry, Aflac is committed to making business decisions that balance the needs of our many constituencies, including our policyholders, employees, sales force and shareholders and investors, while recognizing the obligation we have to the global community. Building from our 2020 commitment to be carbon neutral by 2040 and net zero emissions by 2050 to include scope 1, 2 and 3 emissions, in November 2021 Aflac became a signatory of the Principles for Responsible Investment (PRI).

Environmental, social and governance considerations (ESG) and corporate responsibility have long been integrated into the Company's values and culture and embodied in "The Aflac Way" which are the core values that the Company has relied upon to live up to its commitment to its policyholders, employees, shareholders and other stakeholders. In 2021, Aflac was named to the Dow Jones Sustainability™ North America Index in recognition of the Company's efforts and commitment to sustainability. This mindset extends to environmental considerations, where the Company continues to work to improve its standing as an environmental steward.

This report discusses our approach to evaluating and managing climate change risks and opportunities and is guided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The recommendations of the TCFD focus on four thematic areas that represent core operational elements, including: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets.

References & Contact Information

In this report, we may refer to Aflac Incorporated's businesses collectively as "Aflac" or the "Company," the Company's U.S. businesses as "Aflac U.S." and the Company's Japan businesses as "Aflac Japan." References in this report related to yearend 2020 unless otherwise noted.

We invite you to contact us with questions or requests for more information about this report at AflacIR@aflac.com.

Forward-looking Information

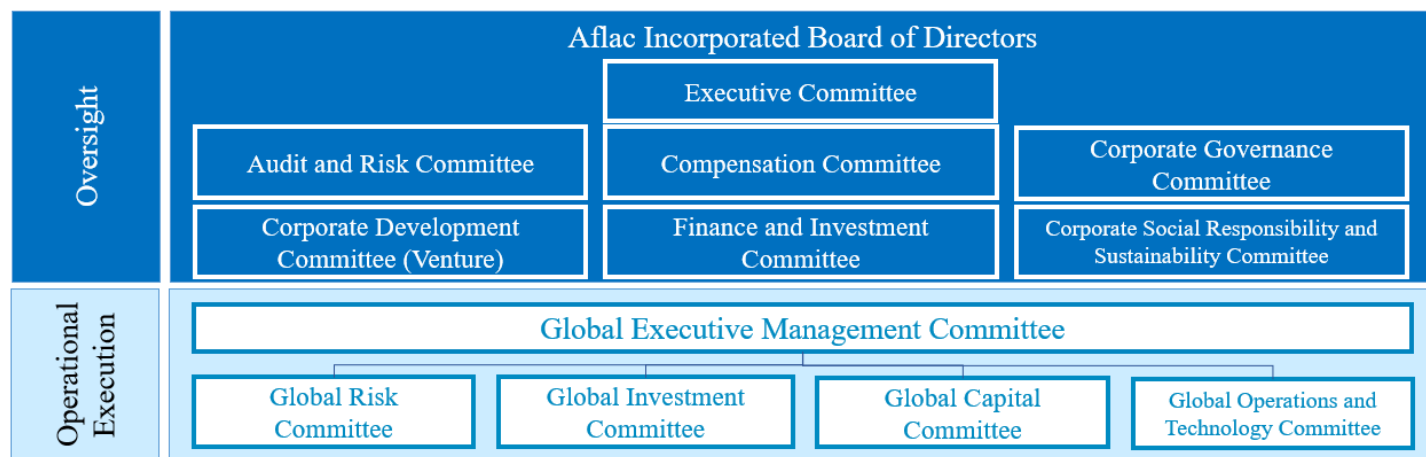
The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. The Company desires to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein and in any other statements made by Company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective," "may," "should," "estimate," "intends," "projects," "will," "assumes," "potential," "target," "outlook" or similar words as well as specific projections of future results generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements. For a discussion of assumptions, risks, uncertainties and other important

factors that could cause actual results to differ materially from those expressed in the forward-looking statements, see our most recent reports on [Form 10-K](#) and [Form 10-Q](#) filed with the SEC.

Governance

Board's oversight of climate change

Below is a depiction of the overall governance structure for the Company:



Aflac Incorporated has established and maintains a robust corporate governance framework to meet the expectations of stakeholders through the appropriate oversight of the operational execution of the holding company system. This framework is referred to as Aflac's "Global Group Governance." Aflac Incorporated's direct and indirect subsidiaries in each country operate pursuant to Global Group Governance and maintain management soundness in order to continue providing products and services that are valuable to customers and earn the trust of customers. Aflac's Global Group Governance framework ensures appropriate oversight of and organic cooperation between Aflac Incorporated's direct and indirect subsidiaries in accordance with Japanese and U.S. laws and regulations.

The Corporate Social Responsibility and Sustainability (CSR&S) Committee of Aflac Incorporated's Board of Directors (the "Board") provides guidance and oversight of the Company's ESG activities, which include climate change, and generally meets three times per year. The CSR&S Committee responsibilities relevant to climate change include:

- Oversight of the Company's policies, procedures, and practices with respect to corporate social responsibility and sustainability
- Setting of Company's ESG performance objectives to include specific climate impact initiatives
- Monitoring of implementation and performance of objectives
- Oversight of progress made against our social and environmental goals

This oversight function includes monitoring and review of the Company's progress in integrating climate-related risks into our organizational strategy, plans of action, management policies, performance objectives and metrics. Through the CSR&S Committee, the Board receives updates on climate change-related matters, including the business' focus on certain sustainable development goals and environmental initiatives. The CSR&S Committee also monitors the preparation and reviews the content of the Company's annual Business and Sustainability report. The CSR&S Committee also oversees all climate matters and supports the Company's SmartGreen® goals. The SmartGreen initiative focuses on evaluating and embracing the most environmentally responsible policies, procedures and technologies. SmartGreen activities are centered on implementing innovative practices across the Company to reduce our carbon footprint, ensuring efficient use of resources and helping our employees be good stewards of our natural surroundings.

The CSR&S Committee recognizes that as climate change science evolves there will be increased pressure from shareholders to closely monitor for potential impacts of climate change and demonstrate leadership. In response, the

CSR&S Committee is evaluating the top climate change impacts on the Company's operations. Based on these considerations, in 2020 the CSR&S Committee approved the Aflac Incorporated Carbon Neutrality Statement, which set Aflac's commitment to a carbon neutrality goal by 2040 and a net-zero emissions goal by 2050. Under direction of the CSR&S Committee, the Company is in the process of developing a framework to define and set milestones to achieve this goal. Recognizing evolving industry and sustainability best practices, this framework will consider the Company's business model, its products and services, growth strategy and investments, to identify the risks and opportunities associated with climate change and how to address them. Additionally in 2020, the CSR&S Committee approved Aflac Global Investments ESG Investing Policy that addresses considerations within climate-related risks and opportunities in the Company's investment portfolios. These policies are posted at <https://esg.aflac.com/policies>.

The Finance and Investment Committee responsibilities relevant to climate change include:

- Review of the strategic asset allocation and performance of investment portfolios
- Oversight of investment process and policies, strategies, and programs of the Company and its subsidiaries relating to investment risk management, including the March 2021 sustainability bond issuance and compliance with its sustainability bond framework
- Oversight of the Company's Global Investment Policy.

The Finance and Investment Committee coordinates with the CSR&S Committee on the monitoring and review of Aflac's responsible investing and its progress in incorporating ESG considerations into the investment process. The Finance and Investment Committee generally meets four times a year.

The Audit and Risk Committee assists with Board oversight of the Company's compliance with legal and regulatory requirements and oversees the Company's policies, processes, and structure related to enterprise risk engagement and management, which includes climate-related risks. The Audit and Risk Committee generally meets at least nine times a year.

The Compensation Committee reviews the Company's general compensation plans to ensure they promote our goals and objectives, including climate-related risks within the Management Incentive Plan and its ESG Modifier (further defined under the Incentive Compensation section below). The Compensation Committee generally meets four times a year.

Management's role in assessing and managing climate change

President & Chief Operating Officer (COO)

The highest level of management with direct oversight of climate-related issues is the Company's President & Chief Operating Officer (COO) who reports into the CSR&S Committee. The COO oversees, in consultation with the Company's Chief Executive Officer (CEO), how climate-related (and more broadly ESG) issues are incorporated into the Company's business strategy and leverages the work, insight and expertise of the Company's ESG Working Group (see below). This allows the COO to remain informed about practices and approaches being taken across the Company's business to both understand the risks and opportunities the Company faces as a result of climate change, as well as the Company's areas of largest impact.

Specific climate-related responsibilities of the COO include assessing the importance of climate issues and driving the response. The COO works to ensure that the Company's climate-related actions are coordinated and aligned with the broader goals of the Company. For example, the COO helps with the oversight of certain ESG-related investment activities, particularly those that aim to promote the Company's business practices. The COO's informed understanding of the Company's business, authority to direct resources and prioritization, as well as connectivity with the Board is the reason why responsibilities for climate-related issues have been assigned to this position.

The ESG Working Group, which is comprised of employees and chaired by the COO, provides management-level oversight of climate-related issues relevant to the Company's business. The ESG Working Group consists of leadership within the Company who have responsibility for governance, enterprise risk management, investments, facilities and energy consumption, human resources, government and regulatory relations and investor relations. The ESG Working Group sets ESG and sustainability performance objectives, monitors implementation and performance of objectives, and oversees progress made toward our environmental goals, including climate-related goals.

An ESG coordinator reports to the COO on ESG topics, including those related to climate change, and meets on a weekly basis with the Corporate Secretary and other individuals from the ESG Working Group, and regularly with full ESG Working Group, including those from those from Aflac Japan, Aflac Global Investments, and the Company's energy and facilities management. These meetings provide opportunities to discuss and make decisions on current and emerging ESG issues applicable to the Company, including those related to climate change such as the activities undertaken by volunteer employee groups such as the Aflac Green Team. This team encourages sustainable practices at the Company's offices and is in charge of the SmartGreen® Ideas program, which encourages employees to develop innovative environmentally friendly habits. This group then engages with a broader group of internal stakeholders, such as the risk management and investment business units, to strengthen and incorporate ESG communication into all components of the Company's business.

Global Executive Management Committee

The Company's Global Executive Management Committee (GEMC), co-chaired by the CEO and the COO, provides oversight and governance over the Company's management activities, including risk management, and serves as an executive committee governing the overall internal management committee structure. While it does not control other internal governance committees, it provides general direction and ensures executive management has access to key management information. The ESG Working Group provides regular reports to the GEMC on the progress of ESG goals including enhancement of the reporting/disclosure framework with regard to climate change risks.

Global Risk Committee

The Company has a Global Risk Committee (GRC), chaired by the Global Chief Risk Officer, that provides oversight and governance over the Company's risk management activities. The GRC reviews updates to key and emerging risks including any review or assessment of climate related risks. The Company's Enterprise Risk Management (ERM) processes and governance provides visibility, awareness, management and oversight at all key levels of the organization, up to and including the Audit and Risk Committee and the Board and are further detailed in the Strategy and risk management section.

Global Investment Committee

The Company has a Global Investment Committee (GIC), co-chaired by the Global Chief Investment Officer and the Deputy Global Chief Investment Officer, which provides oversight and governance over the Company's investment activities. This oversight includes strategies associated with sustainable investments, and related processes to support the assessment of climate related risks and opportunities within the investment portfolios. The GIC approves all investment objectives, policies and guidelines that direct investments of the Company's portfolios, including periodic updates as needed to reflect changing market and business conditions, subject to FIC oversight. The GIC receives reports from the investment team on Aflac's progress in executing Aflac Global Investment's ESG Investing Policy and implementing its responsible investing framework.

Incentive compensation

Management governance and oversight activities also includes accountability of achieving certain climate-related goals. The compensation of certain employees is linked to achieving climate-related targets.

Beginning in fiscal year 2021, an ESG Modifier was introduced in the Management Incentive Plan (MIP) for all officers across the Company's global operations, including the CEO and the COO, as the highest management-level position with responsibility for climate-related issues. The ESG Modifier includes five objectives:

- Advancing Aflac Global Investment's responsible investing framework;
- Developing a framework that both defines and sets milestones to achieve carbon neutral and net zero emissions by 2040 and 2050, respectively;
- Achieving the 2021 "Women in Leadership" objective in Japan and incremental future funding of investments that address economic mobility and social inequity ≥\$600 million;
- Launching and closing on an inaugural Sustainability Bond that reinforces the Company's ESG strategy; and
- Advancing the reporting and disclosure framework with a formal climate risk report in compliance with SASB and TCFD.

Achievement of all five objectives will result in a +5% adjustment to the incentive. Achievement of two or less objectives will result in a -5% adjustment to the short-term incentive, whereas no adjustment will be made for achieving 3 or 4 of the objectives.

See the [2021 Proxy Statement as filed with the SEC](#) for additional information regarding our governance structure of ESG-related matters

Business, Strategy, and Financial Planning Impacts

Climate Risks & Opportunities Impact

The Company has assessed the climate-related risks and opportunities associated with our business strategy specifically noting the impacts below that we have evaluated related to our operations, products and services, investments, and supply chain. The assessment of these risks will continue over time and may change as the Company evaluates the implications of the risks and opportunities created by climate change. To further integrate our evaluation of impacts from climate change, Aflac intends to introduce climate-related scenario analysis in the next two years into its business strategy, including building a process to conduct climate risk analysis of operational assets and portfolio holdings in the future. An objective of this effort is to create qualitative and quantitative information on the potential physical and transitional impacts of climate change across our direct operations, supply chain, underwriting process, and investment portfolio. If we identify significant potential risks, we will evaluate our processes to improve the resilience of our business while aligning the Company's commitments to contribute to the mitigation of climate change.

Operations

While climate change represents modest near-term risk to the Company's operations, the risks and opportunities have had an indirect impact on the Company's business operations in relation to the Company's drive towards digitalization, energy efficiency and renewable energy. The Company is strengthening its digital capabilities and presence to reach and continue to support customers in the event of a climate-associated event. For example, remote work procedures implemented during 2020 are being established for the longer term, to ensure that employees can continue working and customers' needs are met. The goal is to establish an online platform that will lead to opportunities during and post pandemic, as consumers adapt to the new work dynamic and an increasing number of employees continue to work remotely. The online sales system is expected to have a positive impact on the Company's carbon footprint with regard to commuting, business travel, and use of office facilities.

One example, launched in 2020, is Aflac Japan's three-year ¥10 billion paperless initiative to digitalize operations and drive efficiencies throughout the value chain to significantly reduce paper usage by approximately 80 million pieces of paper per year. In addition, in 2020, Aflac Japan rolled out a virtual sales system consisting of web consultations and online application functions, expanded online group sales, and is establishing a sales structure through corporate clients' intranet sites to expand sales.

As the Company continues with digital transformation initiatives, we are aware of the potential burden that increased technological demands may have on energy use. Therefore, the Company is taking steps to reduce energy consumption at its facilities by conducting energy efficiency measures and increasing the use of renewable energy. In 2020, the Company began the installation of a 1.3MW solar array at the U.S. campus, to be completed in 2021. Additionally, the Aflac Square building in Japan switched all electricity use to 100% renewable energy in March 2021.

Products and Services

The Company's primary products and services are life and health insurance policies which are not directly or substantially impacted by climate change based on our current assessment of recent experience. However, we acknowledge the potential for climate risk to have a negative impact on human health which could adversely impact our claims over time.

There are a few product areas that the Company currently recognizes may be susceptible to physical risks from climate change in the future. The first is the Company's cancer insurance. The Company recognizes that if climate change increases the incidence of certain types of cancer such as those related to sun exposure or environmental pollution, the underwriting approach or pricing of our products may need to change. Another area of potential impact from climate change on our products is the increased prevalence of novel viruses, which in the future could be exacerbated by or

present in a wider geography due to climate change. Additionally, climate change could increase the occurrence of certain natural disasters in the future. Impacts from these natural disasters could result in higher policyholder lapse, increased claims from adverse health effects over time, or delayed premium collections related to policyholders in the impacted areas.

When developing a product, the Company incorporates contingencies, such as the consideration of stress assumptions for claims and persistency when pricing products. These stress assumptions are not necessarily explicit to climate change but provide resilience to unpredictable events. It is also important to note that the long-term nature of any morbidity risk needs to take into account natural advances in medicine such as screening, detection, treatments and cures.

Investments

The Company recognizes that an active and responsible approach to ESG issues can impact financial performance, particularly over the longer term. The primary objective of Aflac's investment strategy is to fulfill its fiduciary responsibility to invest assets in a prudent manner in order to meet present and future policyholder obligations and to realize an appropriate risk-adjusted long-term financial return on invested assets. The Company designs its investment strategies to meet the foregoing objectives within specific risk management limits and practices, including asset quality, diversification, and liquidity. We consider the impact of climate change, environmental and social considerations among the factors assessed in evaluating and monitoring investment risks and opportunities. Our portfolio holds investments diversified across multiple sectors that may be affected by the physical and transition risks of climate change.

The Company has adjusted our investment strategy in recognition of the risks associated with the transition to a lower carbon economy. Since 2019, the Company has sought to avoid investments in high-emitting sectors such as coal, oil and gas, and metals and mining, which are particularly susceptible to technology changes in the low-carbon transition.

At the same time, the Company researches and takes advantage of new ESG investment opportunities stemming from the need to address climate-change. The Company has increased investment in more clean energy companies and projects, including 100% renewable power generation. For example, in late 2019 the Company initiated investments in solar farms located in Japan driven by strong demand for renewable power generation in the country due to climate change concerns. In 2021 the Company announced a \$2.1bn strategic partnership with Denham in order to build out an investment platform focused on renewable power and global sustainable infrastructure investing. We expect to continue investing to support climate change initiatives as more opportunities and innovations associated with the transition to a lower carbon economy develop.

Supply Chain

We are also attuned to climate change in our supply and value chains. ESG considerations, including those related to climate change, have influenced the Company's value chain strategy for procurement practices. For procurement, looking to inform and update its supplier engagement strategy, the Company began expanding its supplier onboarding system across its subsidiaries and is working on automating its supplier information system. The Company is building the capabilities required during 2021 and expects to cover major business units by the end of 2022. In addition, Aflac US is assessing the roll-out of an updated ESG questionnaire, which requests information including the suppliers' energy efficiency measures and whether they are ISO 50001-certified.

Impact on Financial Planning Process

As a supplemental health and life insurance company, the Company has not yet identified climate-related risks and opportunities with a potential substantive financial impact on our underwriting business. However, the Company does acknowledge and monitor emerging risks and opportunities so, should they become more substantive, they can be specifically factored into the financial planning process.

As part of ensuring that the Company can maximize revenues and ensure that there is appropriate capital to cover all claims, the Company is continuing its work on a responsible investment framework and the integration of climate-related risks and opportunities into its investment decisions. This effort includes assessment of issuers and sectors that may no longer provide adequate risk-adjusted returns due to their exposure to climate-related risks.

In terms of indirect costs that are also incorporated in the financial planning process related to climate change, the Company's operating expenses would factor in energy efficiency projects or other emission reduction or digitalization activities. The Company continues to invest in energy-efficiency projects and renewable energy generation to reduce carbon emissions, such as the installation of a 1.3 MW solar array in the U.S. headquarters, completed in 2021. The Company also considers the growing digitalization of the Company's products and services as a climate-related opportunity, leading to a reduction in the costs of business travel and operation of facilities.

Risk Management

Enterprise risk management processes

The Company integrates climate risk into its Enterprise Risk Management (ERM) process utilizing a risk assessment matrix (which includes emerging and climate-related risks) to determine a substantive financial or strategic impact. This risk matrix classifies risks as critical, high, medium, and low based on five impact and likelihood categories.

As part of the risk assessment process, the Company conducts an annual risk assessment, taking both a top-down and bottom-up approach. The risk identification process requires that business units be interviewed to examine risks and identify potential emerging risks (including climate risks). Additionally, questionnaires are sent to business units to proactively identify any emerging risks (including emerging climate risks) with the potential to substantively impact the business. Emerging risks are viewed from both an internal and external perspective (e.g., macro-economic, geopolitical, industry level) and from internal surveys facilitating feedback from Aflac personnel across business units. The objective is to understand whether identified risks will have an impact on the organization's objectives. This process ensures that the perspective of all business units and geographies are being considered on the global, Company-wide level.

After risks have been identified, the risk management team undertakes a filtering process using the Company's risk matrix to determine the most substantive. This process considers whether the identified risk is already being mitigated, if the risk is being identified by multiple stakeholders and the magnitude and likelihood of the identified risk, against the Company's risk matrix.

Climate Risk Assessment

As part of the risk assessment process, the Company assesses climate-related risks that would include consideration of transition risks related to current and emerging regulations, technology, market, reputation and legal as well as acute and chronic physical risks.

For current and emerging regulations, the Company has processes in place to identify current and emerging climate-related regulation that has the potential to substantively impact the business financially or strategically. Given the Company's business as a supplemental health and life insurance company, there are presently no current or emerging climate-related regulations applicable to the Company's insurance products that are expected to have a significant impact on the Company. Furthermore, emissions from the Company's direct operations are relatively small, and even when subject to regulations, do not constitute a substantive financial risk.

As a supplemental health and life insurance company with a modest estimated GHG footprint (Scopes 1 and 2 and Scope 3, categories 1-14), legal risks from climate-related litigation claims are not pertinent. In addition, the Company's products are not directly related to climate change so there is no exposure to climate-related litigation in the underwriting and claims process.

Climate-related reputational risks are associated with how the Company communicates its climate risk management practices to its stakeholders. The Company's stakeholder engagement approach strengthens brand reputation by ensuring that stakeholders are aware of the Company's environmentally friendly and prudent business actions. Embedded in the Company's culture is "The Aflac Way," which emphasizes doing the right thing on behalf of customers, shareholders, employees, and all stakeholders. These meetings address issues and incorporate the concerns and considerations of some of the Company's shareholders and other stakeholders on climate-related risks and topics. We continually engage with investors and shareholders to receive feedback relative to our reputational risk and monitor key measures of our climate performance, such as the CDP climate change score. The Company also strives to offer clear information to stakeholders on its climate-related commitments, targets, and actions.

In addition to our overall risk management processes to identify risks, we also periodically assess climate-related risks and undertake further analysis to evaluate those risks. The Company has performed an assessment of climate risk noting the most significant areas of potential climate risks relate to our operations, products, and investments. While other areas were considered, these areas have the potential to have the most significant impact to the Company. See below for more description of the Company's assessment of the more significant areas of risk associated with climate change.

Operations

The most significant risk to our business from climate change relates to business continuity or resiliency in the event of increased climate-related natural disasters. Business continuity is primarily impacted from acute physical risks associated with climate change. Acute physical risks are incorporated into the Company's business continuity planning (BCP), which considers the impact that climate change could have on our existing contingency plans. The BCP ensures that there are processes in place to mitigate climate change risks such as hurricanes, typhoons, and other natural disasters that can cause business interruption through damaging or destroying property. For example, in the past few years, the Company has had market offices in the U.S. impacted by wildfires and hurricanes, and in Japan by floods and other natural events. The Company is using the experience from past natural disasters to understand the potential impact of future acute physical risks and strengthening the BCP. The business continuity plan is designed to identify and mitigate potential exposure to the business and ensure that Aflac maintains the ability to resume operations in a timely manner.

In 2020, the Company strengthened its Business Continuity Plan (BCP) to improve its capabilities to support customers during and after a climate disruption, as well as the resilience of vendors and suppliers and their capacity to continue operations. The Company took steps to improve its physical resilience, including moving operation centers to safer locations and strengthening its BCP to better support vendors and ensure that key suppliers have a robust BCP. The Company also strengthened its digital capabilities to reach and continue to support customers during a climate disruption. For example, remote work procedures implemented during 2020 ensure that employees can continue working and customers' needs are met during a disruption. Additionally, the Company has implemented virtual tools to enable sales activities to be performed remotely in the event of any climate disruption resulting in the inability to meet in-person.

Products and Services

The products offered by the Company may potentially be impacted by both acute and chronic physical risks from climate change. However, the Company has not observed significant adverse experience related to our products from climate

change and related health impacts. Should climate change have an impact on our product performance, we anticipate that the impacts will happen gradually and that there will be adequate time to adjust underwriting.

The Company has processes in place to monitor and track possible trends and indicators that might impact insurance policies and the pricing that is built in to quantify key drivers of risk. The Company has not identified any climate-related risks and opportunities that directly impact the underwriting approach but constantly analyzes data and global trends for a possible indication that new impacts, including those related to climate change, could influence our supplemental health and life insurance underwriting. Our analysis considers all components that could influence the underwriting process, regardless of scale. Therefore, if in the future, climate-related risks and opportunities have a larger impact, or trends arise that demonstrate the influence of these risks and opportunities on the supplemental health and life insurance industry, the Company is in a position to incorporate these considerations into the underwriting process.

For acute physical risks from climate change, the Company has evaluated specific events for signs of adverse claims or policyholder lapse following a natural disaster (hurricane, typhoon, or wildfire). The results of the evaluations to-date do not indicate any significant adverse experience for those policyholders within the areas impacted by the natural disaster. The Company has existing processes to evaluate trends in persistency or claims that would allow any significant changes in these risks to be further incorporated into the underwriting process.

Investments

Risk management processes for climate-related risks in Aflac's investment portfolio are being further enhanced over time as our understanding and measurement of both physical and transition risks evolves with the industry. For example, issuers in certain geography-based sectors (i.e. utilities, municipals) and commercial real estate may be exposed to acute physical risk such as wildfire or flooding. In addition, transition risks, such as advancements in climate-impacting technologies reducing demand for a product, may negatively impact a corporate issuer's credit quality. Climate change risk management encompasses, among other considerations, diversification by asset class, geography, revenue sources and property types.

Aflac Global Investments continues to evolve its ESG integration processes in alignment with its [ESG Policy](#). In 2021 the Company's asset management subsidiary established an ESG Steering Committee to provide executive leadership on Aflac's responsible investing framework. This includes monitoring the Company's progress in building appropriate practices and processes to identify, quantify, manage, and monitor the impacts of climate change risk on the investment portfolio.

The Company's internal ESG scoring system constructs proprietary ratings for securities that factors in environmental, social, and governance issues. For internally-managed credit investments, the Company assesses each issuer on ESG considerations and assigns an internal ESG score using internal guideposts and external resources on the individual issuer and the issuer's sector and industry.

As an example, an issuer assessment may consider "products sold" (e.g., oil & gas, electric vehicles), and "internal processes" (e.g., carbon footprint, GHG emissions reduction initiatives). In addition, the review may include externally sourced information on issuer ESG reporting, SEC filings, sell-side research, financial press, third-party recognition, CDP and TCFD submissions, RE100 commitments, and third-party assessments. Should these sources prove insufficient to make an informed judgment, the Company may engage directly and request additional information from the investee.

The Company's proprietary scores reflect judgment on how ESG and specific climate-related issues could impact the issuer's overall business and financial condition (e.g., reduced revenue, increased costs, potential for regulatory action including sanctions, fines, shut-downs, lawsuits, reputational risk, and industry dynamics including relative competitive positioning), as well as whether management is proactively addressing these issues. ESG scores are maintained in a customized database that aggregates credit research and analyst opinions and are considered supplementary to the

financial metrics used in the credit underwriting analysis. The Company does not have prescriptive thresholds to eliminate an investment based solely on its ESG score. Low ESG scores are addressed in periodic issuer discussions with a focus on the impact to the issuer's credit quality and future cash flow generation. As data and methodologies permit, the Company will continue to refine its analysis of the climate-related risks and opportunities within the investment portfolio.

Aflac Global Investments' external management process includes using specialty external asset managers screened periodically for their ESG investing and portfolio management practices. The Company uses its Request for Proposal (RFP) process to evaluate an external manager's ESG policies and procedures during initial manager diligence and selection. After the conclusion of the RFP process and initial on-boarding, each of our external managers completes an Annual Due Diligence Questionnaire (DDQ) which includes an update on their ESG-specific policies and procedures. The majority of the Company's external managers are signatories to the United Nations Principles for Responsible Investment (UNPRI) and thereby are expected to factor in exposure to climate change in their investment decisions.

Certain of the Company's externally-managed investment mandates include investment guidelines on ESG objectives covering exclusions, future investment opportunities and metrics that will be monitored and reported over time. As an example of a newly created opportunity, the Company recently arranged a partnership with an external manager to invest in sustainable infrastructure debt and equity. These future investments will enable the Company to improve the resilience of its investment portfolio, monitor progress to climate-related targets and disclose key metrics on the portfolio's sustainability profile over time.

In support of its enterprise net zero commitment, the Company undertook steps during 2021 to advance its stewardship of the climate risk and emissions profile of its investment portfolio, in alignment with PCAF and other industry-wide guidelines. To progress its evaluation of the potential implications of climate risk on the investment portfolio, the Company performed a quantitative and qualitative evaluation of physical and transition risks under different climate-related scenarios on nearly 50% of the investment portfolio (as of December 2020). This evaluation included a significant portion of Aflac's corporate fixed maturity and commercial real estate loan portfolios, the latter of which includes commercial mortgage and transitional real estate loans.

The Company created an initial qualitative sectoral climate transition risk assessment on a portion of its investment portfolio. The objective of the assessment has been to: (1) identify and assign a climate transition risk rating for each of the identified sectors; (2) determine potential future risk management responses for identified transition risks; and (3) provide an internal reference for future external reporting on climate transition risks.

Within the Company's commercial real estate loan portfolio, the quantitative evaluation highlighted the most significant risks of the underlying properties relate to physical risks from potential flooding and temperature increases. This quantitative evaluation was performed under different temperature warming scenarios, including a 2°C warming scenario.

The result of our initial assessment is a work in progress and will aide in our integration of climate risk into our investment processes over time.

Summary of Investment Portfolio by Asset Class

Consolidated Investment Portfolio as of December 31, 2020	
(In millions)	Amortized Cost ⁽¹⁾
Government and agencies	56,649
Municipalities	2,855
Mortgage - and asset - backed securities	1,009
Public utilities	8,837
	Electric 7,131
	Natural Gas 318
	Other 615
	Utility/Energy 773
Sovereign and Supranational	1,784
Banks/financial institutions	10,525
	Banking 6,299
	Insurance 2,007
	Other 2,219
Other corporate	34,397
	Basic Industry 3,309
	Capital Goods 3,388
	Communications 4,096
	Consumer Cyclical 3,159
	Consumer Non-Cyclical 7,209
	Energy 4,130
	Other 1,565
	Technology 3,514
	Transportation 4,027
Total fixed maturity securities	\$116,056
	Transitional Real Estate Loans 5,231
	Commercial Mortgage Loans 1,688
	Middle Market Loans 3,635
Total commercial mortgage and other loan Receivables	10,554
Equity Securities (at fair value)	1,283
Other Invested assets	2,429
Total Investments	\$130,322
(1) amounts presented at amortized cost for fixed maturities and at the respective carrying values for all other assets, net of reserves	

Metrics and Targets

Corporate efforts to reduce operational GHG emissions

Aflac is dedicated to the health and well-being of the people we serve and the environment. As such, we strive to balance effective and efficient management of our operations with responsible environmental stewardship. We are committed to doing our part to mitigate climate change, conserve natural resources and reduce our carbon footprint to help ensure the long-term value of our Company's operations and investments and preserve the world in which we live.

While historically focused on the footprint of its operations, the Company is evaluating how its enterprise activities impact the climate and provide opportunities. The Company committed in 2020 to expand its carbon emissions reduction ambitions by setting a net-zero goal.

While we are proud of our progress, there is more to do, as we aspire to lead in energy conservation and environmental protection. Aflac will continue to focus on reducing energy consumption, water and waste; investing in new technologies and approaches that help lower greenhouse gas emissions and make our facilities more sustainable; and employing renewable energy sources.

This program also encourages employees to develop innovative environmentally friendly habits. This group then engages with a broader group of internal stakeholders, such as the risk management and investment business units, to strengthen and incorporate ESG communication into all components of the Company's business. We continue to invest in energy-efficient projects that reduce our energy spend and decrease our environmental footprint.

Greenhouse gas reductions and goals

Aflac is committed to meeting the following greenhouse gas goals:

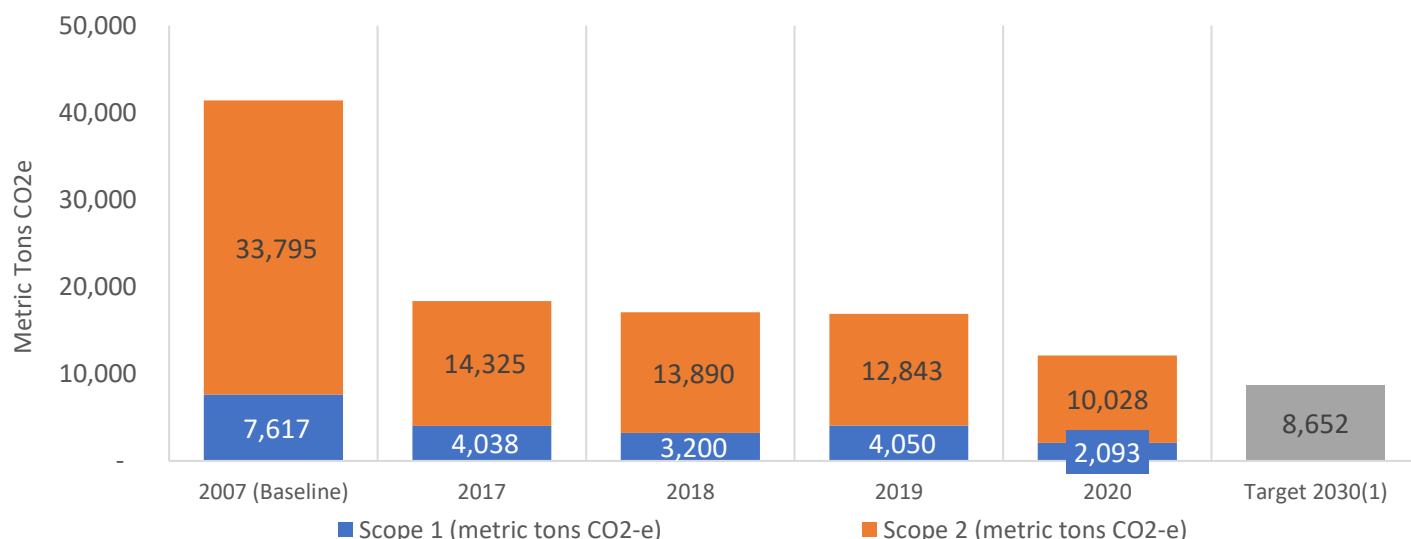
- Scope 1 and Scope 2 emissions reduction targets by 2030
- Carbon neutrality goal by 2040, and
- Net-zero emissions by 2050

Emission Reduction Goals

Aflac Incorporated has established greenhouse gas emissions goals for Scope 1 and Scope 2 emissions. As detailed below, progress toward the Company's reduction targets are largely driven by incremental reductions in the Company's Scope 2 emissions from improvements in building energy efficiencies, lighting, heating, ventilation and air conditioning upgrades. The goals established represent commitments related to Aflac U.S. and Aflac Japan to reduce certain emissions by 75%. Aflac U.S. has established an absolute target for reducing its Scope 2 greenhouse gas emissions. Aflac Japan has objectives for reducing its Scope 1 and Scope 2 greenhouse gas emissions.

See chart below for composition of Aflac's Scope 1 and Scope 2 emissions and related targets.

Aflac Incorporated Estimated Emissions & Targets



(1) Target for 2030 excludes Aflac US Scope 1 emissions. Aflac US Scope 1 emissions are included in the other years presented and represents 6,805, 3,436, 2,653, 3,512, and 1,542 for 2007 (Baseline), 2017, 2018, 2019, and 2020, respectively

Reductions in 2020 emissions include impacts from the COVID-19 pandemic including a reduction from travel associated with the corporate jet (Scope 1) emissions and electricity and energy consumption in offices (Scope 1 and 2).

The standards, protocols or methodologies the Company uses to collect activity data and calculate emissions are: Japan Ministry of the Environment, Law Concerning the Promotion of the Measures to Cope with Global Warming, Superseded by Revision of the Act on Promotion of Global Warming Countermeasures (2005 Amendment), and The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). To the extent that industry practice on data and methodologies continue to evolve, the emissions estimates and targets could be subject to change.

Aflac currently receives limited assurance for 100% of its Scope 1 and Scope 2 greenhouse gas emissions, attested to the AICPA (AT-C Section 105) Standards. Note that emissions totals in 2007 represent those from Aflac U.S.'s operations between January – December 2007, and those from Aflac Japan's operations between April 2007 – March 2008.

Carbon Neutrality & Net Zero Emissions Goals

To be a leading steward of the planet, Aflac is committing to a carbon neutrality goal by 2040 and net zero emissions by 2050 that includes Scopes 1, 2, and 3 (including supply chain and investments). This net-zero climate commitment will require a comprehensive and transparent approach to both defining Scopes 1 through 3 emissions and developing a formal plan to meet our commitments. Therefore, we will provide appropriate reporting and hold ourselves accountable along the way.

The Company has achieved carbon neutrality for our Scope 1 and Scope 2 emissions in 2020. We attained this by first reducing greenhouse gas emissions from our facilities by more than 70% since 2007 through the installation of on-site solar capacity at limited locations, investments in energy efficiency and other emissions-reduction practices. All of the residual emissions have been accounted for by buying carbon offsets and renewable energy credits.

The Company has calculated full Scope 3 emissions including investments by estimating carbon emissions associated with its portfolio, in line with the GHG Protocol and PCAF. During the next two years, the Company intends to advance its capabilities to be able to report on its financed emissions, while recognizing industry challenges given data availability and the still evolving industry methodologies for comprehensive calculation of Scope 3, Category 15 emissions (investments).

The Path Forward

As a leading insurance company that provides financial protection to more than 50 million people worldwide, we believe that we have a responsibility and an obligation to protect the environment. We are committed to making business decisions that balance the needs of our many constituencies and will continue to make our efforts in these areas more robust and impactful for the greater good of all.