

Second-Party Opinion

Aflac Incorporated Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Aflac Incorporated Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water Management, Pollution Prevention and Control, Socio-Economic Advancement and Empowerment, and Communities – are aligned with those recognized by both the Green Bond Principles 2018 and Social Bond Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 9, 11, and 12.



PROJECT EVALUATION / SELECTION Aflac Incorporated’s internal process in evaluating and selecting projects is overseen by the Sustainability Bond Council made up of representatives from Aflac’s Global Investments and Treasury teams as well as senior management who support the Company’s ESG initiatives. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Aflac Incorporated’s Sustainability Bond Council will be responsible for tracking and monitoring the allocation of proceeds in line with the eligibility criteria. The Company intends to reach full allocation within 24 months of bond issuance. Unallocated proceeds will be held in cash or cash equivalents or other liquid marketable instruments. This is in line with market practice.



REPORTING Aflac Incorporated intends to report on the allocation and impact of proceeds on its website annually until full allocation. Allocation reporting will include the amount of net proceeds, the amount allocated to each eligible category, and the balance of unallocated proceeds. In addition, the company is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views the allocation and impact reporting as aligned with market practice.

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Issuer Location	Columbus, Georgia, United States

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Introduction

Aflac Incorporated (“Aflac”, or the “Company”) is an insurance holding company which operates through its subsidiaries in Japan and the United States. The Company provides supplemental insurance solutions to individuals and groups including cancer, accident, short-term disability, critical illness, hospital indemnity, dental, vision, and term and whole life insurance products. Aflac was founded in 1955 and is headquartered in Georgia, United States.

Aflac has developed the Aflac Incorporated Sustainability Bond Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that demonstrate environmental benefits and contribute to a socially responsible economy. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water Management
6. Pollution Prevention and Control
7. Socio-Economic Advancement and Empowerment
8. Communities

Aflac engaged Sustainalytics to review the Aflac Incorporated Sustainability Bond Framework, dated March 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), and Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Aflac’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Aflac representatives have confirmed (1) they understand it is the sole responsibility of Aflac to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Aflac Incorporated Sustainability Bond Framework is available on Aflac Incorporated’s website at: <https://investors.aflac.com/home/default.aspx>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aflac.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aflac has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Aflac Incorporated Sustainability Bond Framework

Sustainalytics is of the opinion that the Aflac Incorporated Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP, SBP, and SBG. Sustainalytics highlights the following elements of Aflac's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water Management, Pollution Prevention and Control, Socio-Economic Advancement and Empowerment, and Communities – are aligned with those recognized by the GBP and SBP.
 - Aflac has provided a list of activities to Sustainalytics that highlight a list of sectors that are excluded from investment of its green and social issuances. Some of the sectors included in the list include fossil fuels, tobacco, and payday loans. Sustainalytics views the exclusion of activities which have potential negative environmental or social impacts as aligned with market practice.⁴
 - Renewable Energy expenditures under the Framework may include investments in renewable energy generation, distribution and transmission powered by wind, solar, and hydropower.
 - For hydropower projects, Aflac is contemplating small-scale (<25 MW), run-of-river with low storage capacity, and large-scale (>25 MW) facilities subject to life-cycle carbon intensity of 100gCO₂e/kWh.
 - Sustainalytics notes that the Framework specifies that for all hydropower projects environmental and social risk assessments will be carried out to ensure there is no significant risk or expected negative impact associated with projects.
 - Aflac's investments in Energy Efficiency are targeted at a range of projects in real estate as well as energy storage and transmission.
 - New or refurbished building expenditures may include LED lighting, retrofit, thermal insulation, and conditioning system. The Company has specified that it is targeting a minimum improvement of 20% in energy savings for investments in upgrades. Sustainalytics views the inclusion of a defined quantitative threshold as aligned with market practice.
 - With regards to energy storage and transmission investments, Aflac is considering investments in storage systems designed to increase the share of renewable energy in the mix or in smart grid technologies. While noting the variety of definitions and

⁴ Aflac has communicated this exclusions list to Sustainalytics separately and Sustainalytics views it to be aligned with market practice.

- applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Aflac to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- Under the Green Buildings category, Aflac is considering the acquisition, construction, and/or refurbishments of new and existing residential and commercial buildings. Aflac has defined the following minimum certifications and levels:
 - Aflac intends to use third-party certification schemes to determine eligibility of green building investments under the Framework. The Framework specifies minimum standards of LEED Gold, ENERGY STAR score of 75, BOMA BEST Gold, BREEAM Excellent or other equivalent internationally recognized green building certifications.
 - Sustainalytics views these certification schemes as credible, and the selected levels as impactful. See Appendix 1 for further description of the referenced building standards.
 - Within the Clean Transportation category, Aflac may invest in both rail and road assets. This includes vehicles, rolling stock and supporting infrastructure for electric, hybrid or non-motorized public and private mobility as well as infrastructure dedicated to mass public transportation.
 - The Framework specifies that hybrid passenger vehicles will be considered eligible only if the emissions intensity is below 75g CO₂ per p-km. Sustainalytics considers this to be aligned with market practice.
 - For rail lines that are not fully electric, the Framework specifies an emissions threshold of less than 50g CO₂/p-km (passenger) for individual rail and less than 25kg CO₂/t-km (freight). Sustainalytics notes that these emissions thresholds are aligned with market practice.
 - Aflac has confirmed to Sustainalytics that investments in rolling stock where the purpose is fossil fuel transportation are excluded from the Framework.
 - As part of the Sustainable Water Management category, Aflac expects to finance facilities, equipment and technologies that aim to increase water-saving or recycling. Intended projects include xeriscaping/drought-tolerant landscaping, infrastructure for flood prevention, flood defense or storm water management as well as projects for recycling or reuse of water, rainwater, or wastewater. Sustainalytics recognizes the potential environmental benefits of these expenditures and encourages Aflac to conduct studies to measure impact and justify need for the deployment of flood defense or storm water management projects.
 - The projects within the Pollution Prevention and Control category are aimed at soil remediation as well as the prevention, reduction, collection, and recycling of waste. In this category, Aflac may consider investments in recycling facilities for metals, plastic, and paper and/or facilities for collection, sorting and material recovery to divert waste from landfill. Sustainalytics notes the importance of the waste hierarchy in assessing the impact of waste management projects and highlights positively the focus on waste reduction and recycling.
 - Within Socio-economic Advancement and Empowerment, Aflac plans investments that aim to promote inclusive growth, employment generation, and capacity building of underserved, marginalized or minority populations.
 - Aflac's investments in micro, small and medium-sized businesses ("SMEs")⁵, projects or properties are targeted towards at least 51% minority- or other marginalized population-owned, managed or controlled businesses. Sustainalytics recognizes positive social impact of investments towards increasing access to finance for SMEs.
 - Aflac intends on supporting small businesses and affordable housing through investments in Community Development Financial Institutions ("CDFIs").
 - Sustainalytics recognizes that the SBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While lending to SMEs and CDFIs allows for the inclusion of non-project-based lending, Sustainalytics considers that the lending contemplated by the Framework will have social benefits due to the markets targeted.

⁵ Aflac has communicated to Sustainalytics that it relies on the definition provided by SBA for small businesses and an internal definition for medium businesses based on EBITDA of the company.

Section 2: Sustainability Strategy of Aflac

Contribution of Framework to Aflac Incorporated's sustainability strategy⁶

Aflac integrates sustainability considerations within its internal operations and product offerings through what it refers to as "The Aflac Way" in its ESG Investment Statement. Aflac Global Investments, the asset management arm responsible for managing the Company's invested assets integrates ESG considerations into its core investment philosophy. As of 2020, Aflac has invested over USD 1.7 billion in sustainable assets.⁷ Through its sustainable investments, Aflac has supported projects and initiatives in the areas of affordable housing, education, hospitals, minority-and-women-owned businesses, public transport, water facilities, and renewable energy.

As part of its ESG reporting, Aflac released its 2019 Governance, Social and Environmental Snapshot View Report which provides information on Aflac's commitment to reduce the environmental footprint of its own operations. Some highlights include reduction in total electricity consumption for corporate real estate by 3.5%, including obtaining green certification for key office buildings in the United States and Japan.⁸ Furthermore, Aflac follows the guidelines and recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD") and published a 2019 report articulating its approach to assessing and managing climate change risks.⁹

Aflac has a dedicated Corporate Social Responsibility Committee in place to oversee its climate-related initiatives and support what the Company refers to as its SmartGreen® goals.⁶ As part of these goals, Aflac works towards the carbon footprint reduction of its own operation with a commitment to including scope 3 emissions under its carbon neutrality goal by 2040.⁶ Aflac has achieved carbon neutrality for scope 1 and 2 emissions in 2020 and has taken steps to define its scope 3 emissions.⁶

In this context, Sustainalytics is of the opinion that the Framework is aligned with the Company's sustainability initiatives and will further the Company's action on its key sustainability priorities. While Sustainalytics recognizes the importance of Aflac's investments in sustainable assets, Sustainalytics encourages the Company to set time-bound, quantifiable green and social investment targets to further demonstrate its commitment to sustainability.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP and SBP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, waste generated in construction, and predatory lending.

- As part of Aflac's investment procedure, the Company conducts an analysis in multiple sustainability areas including climate risks, natural resources, pollution and waste, human capital, product safety, social opportunity, corporate governance, and ethics. The overall process and analysis include assigning a proprietary ESG score to the issuer and its overall business. Among other factors, the ESG score plays an important role in Aflac's investment decisions. To ensure that Aflac's third-party asset managers apply Aflac's ESG investment approach, the Company requires its external managers to undergo a due diligence procedure that includes an annual review and an assessment of how ESG factors are incorporated into the managers' investment process.
- Aflac's project selection process for the green, social and sustainability bond use of proceeds excludes investments in businesses and industries associated with high and severe social and environmental risks such as tobacco, payday loans, and fossil fuels.

In addition to the above processes and intended regulatory compliances, Sustainalytics encourages Aflac to design policies and processes that specifically address the risks highlighted above. Overall, Sustainalytics is

⁶ Aflac, "ESG Policies", at: <https://esg.aflac.com/policies>

⁷ Aflac Incorporated, "ESG Policy", at: <https://esg.aflac.com/policies>

⁸ Aflac Incorporated, "2019 Governance, Social and Environmental Snapshot View", at: https://esg.aflac.com/pdfs/Aflac_Incorporated_2019_ESG_Tear_Sheet.pdf

⁹ Aflac Incorporated, "Aflac Incorporated's Task Force on Climate-Related Financial Disclosures Report 2019", at: https://esg.aflac.com/pdfs/Aflac_Incorporated_2019_TCFD_Report.pdf

of the opinion that Aflac has implemented adequate measures to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant.

Importance of renewable energy in achieving climate goals

The International Energy Agency (IEA) estimates that annual global energy demand rose by 2.3% in 2018, from the previous year, notable because it represented the fastest growth in the last decade.¹⁰ As the world's population continues to increase to an estimated 8.5 billion by 2030,¹¹ energy use is expected to rise in tandem. According to the International Renewable Energy Agency (IRENA), 171 gigawatts of renewable energy were added to global energy capacity in 2018 driven primarily by wind and solar projects.¹² Despite this growth, renewable energy represents only 30 percent of energy generation. Therefore, more investments in renewable energy will be required to meet Paris Agreement goals of 65% energy use arising from renewables by 2050 and mitigate climate change by limiting temperature increases to well below 2°C, and ideally to 1.5°C.¹³

Sustainalytics is of the opinion that investments to be made under the Framework will contribute to decarbonizing the electricity sector and thereby support global climate goals.

Impact of green buildings in reducing GHG emissions

According to the World Green Building Council, the building sector is a significant contributor to both global energy use and total CO₂ emissions, with building construction and operations accounting for 36% of global final energy use and contributing nearly 40% of energy-related CO₂ emissions globally. In the United States alone, residential and commercial buildings account for 39% of total U.S. energy consumption¹⁴ and 72% of national electricity consumption.¹⁵ Investments in energy efficiency in buildings has slowed, with investments only experiencing a growth of 4.7% in 2017 (3% adjusted for inflation), which is cited as the lowest increase rate in recent years.¹⁶ In 2018, residential and commercial buildings in the United States accounted for almost 40% of CO₂ emissions and 40% of the total U.S. energy consumption.¹⁷ Furthermore, about half of the energy used in commercial buildings is utilized by heating, ventilation and air-conditioning systems.¹⁸

In Japan, the final energy consumption of commercial facilities including stadiums and office buildings has increased about 20% since 1990,¹⁹ and is responsible for 18.5% of Japan's total CO₂ emissions.²⁰ Accordingly, it is important to promote energy-saving measures for buildings in order to address climate change. In 2015, the Japanese government enacted the "Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act)",²¹ imposing rigorous regulations in relation to energy-saving measures. The Nationally Determined Contributions (NDC),²² in which Japan is committed to reducing GHG emissions by 26% by FY2030 in comparison to a FY2013 baseline, imposes a 40% reduction in GHG emissions on the commercial and others sector, the largest among all the sectors.

Sustainalytics views positively Aflac's investments in residential and commercial buildings which have received certification from credible schemes as well as expenditures on energy efficiency technologies. In

¹⁰ The International Energy Agency (IEA), "Global energy demand rose by 2.3% in 2018, its fastest pace in the last decade", (2019), at: <https://www.iea.org/newsroom/news/2019/march/global-energy-demand-rose-by-23-in-2018-its-fastest-pace-in-the-last-decade.html>

¹¹ United Nations, "Population 2030", (2015) at: <https://www.un.org/en/development/desa/population/publications/pdf/trends/Population2030.pdf>

¹² International Renewable Energy Agency (IRENA), "Sector adds 171 GW of generating capacity in 2018", (2018) at: <https://www.irena.org/newsroom/pressreleases/2019/Apr/Renewable-Energy-Now-Accounts-for-a-Third-of-Global-Power-Capacity>

¹³ International Renewable Energy Agency (IRENA), "Renewable energy: a key climate solution", (2017) at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_A_key_climate_solution_2017.pdf?la=en&hash=A9561C1518629886361D12EFA11A051E004C5C98

¹⁴ The United States Energy Information Administration (EIA), "FAQ" at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

¹⁵ EPA Energy and Environment, Electricity Customers: <https://www.epa.gov/energy/electricity-customers#industrial>

¹⁶ World Green Building Council, "2018 Global Status Report", (2018), at: <https://www.worldgbc.org/sites/default/files/2018%20GlobalABC%20Global%20Status%20Report.pdf>

¹⁷ EIA, "How much energy is consumed in U.S. residential and commercial buildings?", at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>.

¹⁸ The American Council for an Energy Efficient Economy (ACEE), "Explaining Inefficiencies in Buildings Providing Ancillary Services", (2016) at: https://www.acee.org/files/proceedings/2016/data/papers/3_364.pdf.

¹⁹ Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Production Division, "Revision of the Building Energy Conservation Act (Japanese only)", at: https://www.meti.go.jp/shingikai/enecho/shoene_shinene/sho_energy/pdf/028_03_00.pdf

²⁰ "Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113761.pdf>

²¹ Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Conservation Act) (Japanese only)", at: http://www.ibec.or.jp/ee_standard/files/outline_pamphlet.pdf

²² "Submission of Japan's Nationally Determined Contribution (NDC) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113664.pdf>

this regard, Sustainalytics expects that eligible projects financed have the potential to significantly reduce GHG emissions associated with its overall operations.

The importance of financial inclusion for the underbanked in the US

According to the World Bank's 2017 Global Findex Database, 1.7 billion adults are unbanked, which is defined by having an account at a financial institution or an account through a mobile money provider.²³ Out of the 1.7 billion unbanked adults, 56% are women with persisting account ownership inequality between men and women.²³ Account ownership is nearly universal in high-income economies where the percentage of adults having an account is 94%.²³ Financial inclusion is an enabler for reducing poverty and fostering opportunities for economic growth. The benefits of financial inclusion are wide-ranging, as it can allow individuals to accumulate savings for education, retirement, better manage financial risk, and overall allow people to take advantage of financial opportunities.²³

Even though the benefits of financial inclusion are evident, 22% of American adults or 63 million people are either unbanked or underbanked in the United States.²⁴ 6% of American adults have no bank account and therefore, need to rely on alternative financial products and services such as payday loans, check cashing services or pawn shop lawn, demonstrating the need for further increasing account ownership.²⁴

Small and Medium Enterprises ("SMEs") represent 90% of businesses and 50% of employment globally.²⁵ As the global workforce grows, by 2030, 600 million jobs will be needed to absorb the growing workforce, making SME development a key priority for all economies.²⁵ Despite their economic importance, SMEs face significant challenges and barriers, in particular access to finance. In the context of the COVID-19 pandemic, providing support to SMEs has become increasingly important as studies have shown that smaller businesses recover slower from economic shocks than larger firms.²⁶

SMEs in the United States are a key driver of economic growth and development. Small businesses in the U.S. contributed to over 60% of net new jobs created from 1993 to 2016.²⁷ In 2018, small businesses added 1.9 million new jobs to the U.S. job market. There were 30.2 million small businesses in the U.S. that employed 47.5% of the country's private workforce in 2018.²⁸

Increasing access to financial services for SMEs and underbanked or unbanked individuals has a positive impact on poverty reduction, reduction of inequalities, employment generation and overall economic development. Sustainalytics is of the opinion that the loans provided through the Framework can increase financial inclusion for households and SMEs, and therefore have positive social impact.

²³ World Bank, "The Global Findex Database 2017", (2017), at: <https://globalfindex.worldbank.org/>

²⁴ CNBC, "On the Money", at: <https://www.cnbc.com/2019/03/08/25percent-of-us-households-are-either-unbanked-or-underbanked.html>

²⁵ World Bank, "SMEs Finance", at: <https://www.worldbank.org/en/topic/sme/finance>

²⁶ McKinsey, "Small Business Recovery after the COVID-19 Crisis", <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/us-small-business-recovery-after-the-covid-19-crisis#>

²⁷ US Small Business Administration, Frequently Asked Questions About Small Business, at: <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>

²⁸ SBA, "Small Businesses Drive Job Growth in the U.S.", at: <https://www.sba.gov/advocacy/small-businesses-drive-job-growth-us>

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Aflac Incorporated Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Pollution prevention and control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Socio-Economic Advancement	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services.
Communities	11. Sustainable Cities and Communities 4. Quality Education	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Conclusion

Aflac has developed the Aflac Incorporated Sustainability Bond Framework under which it will issue sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, a range of existing and/or future projects that demonstrate environmental and social benefits. By focusing on activities that minimize the carbon footprint of its operations as well as providing tools for underserved populations, Aflac is also supporting inclusive growth. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental impact and social impact.





The Aflac Incorporated Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Aflac Incorporated Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Aflac has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Aflac Incorporated is well-positioned to issue sustainability bonds and that the Aflac Incorporated Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020)

Appendices

Appendix 1: Overview of Referenced Green Building Certification Schemes

	LEED	Energy Star	BOMA BEST	BREEAM
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S. Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • 1-100 score, 75 is minimum for certification 	<ul style="list-style-type: none"> • Certified • Bronze • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy use 	<ul style="list-style-type: none"> • Energy • Water • Air • Comfort • Health and Wellness • Custodial • Purchasing • Waste • Site • Stakeholder Engagement 	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings:</p>	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least 75 percent of similar buildings nationwide.	<p>Minimum requirements independent of level of certification; score based on checklist to determine certification level.</p> <p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>	<p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>

	Operation and Maintenance.			
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.	Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.
Performance display				

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Aflac Incorporated
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Aflac Incorporated Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 1, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Pollution prevention and control, Socio-Economic Advancement, and Communities – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 9, 11, and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): Communities |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

- | | |
|---|---|
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Communities |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Aflac Incorporated's internal process in evaluating and selecting projects is overseen by the Sustainability Bond Council. The council is made up of representatives from Aflac's Global Investments and Treasury teams as well as senior management who support the Company's ESG initiatives. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Aflac Incorporated's Sustainability Bond Council will be responsible for tracking and monitoring the allocation of proceeds in line with the eligibility criteria. The Company intends to reach full allocation within 24 months of bond issuance. Unallocated proceeds will be held in cash or cash equivalents or other liquid marketable instruments. This is in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Aflac Incorporated intends to report on the allocation of proceeds on its website annually until full allocation. Allocation reporting will include the amount of net proceeds, the amount allocated to eligible category, and the balance of unallocated proceeds. In addition, the company is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views the allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Annual report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been

implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

