

MS&AD Insurance Group and Sustainability



Our Sustainability Approach



MS&AD's Story of Value Creation and Business Models



Targets (KPI) and Results



ESG Integration and Sustainability Approach



Communication with Stakeholders



Initiatives



Our Sustainability Approach

The MS&AD Insurance Group has set Mission, Vision, and Values in order to clarify how the Group should be. Furthermore, we have accelerated initiatives based on our sustainability approach to achieve our mission.

Our Mission

To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business

Our Vision

To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value

Our Values

Customer focus, integrity, teamwork, innovation, professionalism

Perspective of Sustainability of the MS&AD Insurance Group

The MS&AD Insurance Group will create shared value and aim toward a resilient and sustainable society through corporate activities that implement "Story of Value Creation," in order to realize our Corporate Philosophy (Mission).

We will consistently strive for supreme quality that lives up to the trust and expectations upon us, and together with our stakeholders, continue to contribute to the creation of society where everyone can pursue a stable life and take on dynamic business activities, while preserving the sustainability of the global environment and society.

(Basic Policies on Corporate Governance, Chapter 2 Section 2)

Business Activities with Consideration for Sustainability

The MS&AD Insurance Group, as insurance and financial services group which provides safety and peace of mind conduct business activities with consideration for sustainability.

We aim to enhance corporate value by contributing to solutions for sustainability issues (also known as environmental, social and governance (ESG) issues) with profound understanding through stakeholder engagement.

- Our underwriting considers issues and risks that would have a negative impact on society and the global environment. In addition, we provide products and services that respond to the demand of society.
- Our investments consider ESG factors in pursuit of long-term returns and contribution to solutions for sustainability issues.

"Action on Climate Change", "Improving Sustainability of Natural Capital" and "Respect for Human Rights" that require urgent actions are the Group's priorities.

We will disclose our initiatives, in line with global disclosure standards.

[Action on Climate Change]

- We contribute to climate change mitigation and adaptation as climate change may bring material impacts on our lives and ecosystems and pose substantial risks to the insurance industry.
- The establishment and implementation of innovative technologies to reduce greenhouse gas emissions, as well as next-generation energy (renewable energy, hydrogen, etc.) and the carbon recycle, are essential to achieving the goals of the Paris Agreement. We will promote engagement with our business partners and other stakeholders, and actively work to provide new risk solutions and make investments to support the transition to a net-zero society.

- We will not newly provide insurance for, nor make investments in coal-fired power plants or thermal coal mines*1.
- We will not newly provide insurance for oil and gas extraction and coal-mining projects*3 by companies whose primary business is coal*2. We will not newly provide insurance for, nor make investments in oil sands mining and oil and gas extraction projects in the Arctic*3.
- We have established medium- and long-term targets for the green house gas emissions reduction from our business processes and our business partners and the renewable energy usage ratio, and are working to reduce green house gas emissions.

< Greenhouse gas Emission Reduction >

Scope		FY2030	FY2050
Scope 1, 2		-50% (Base year: FY2019)	Net Zero
Scope 3	Categories 1, 3, 5, 6, 7, 13	-50% (Base year: FY2019)	
	Underwriting/Investments	We, through engagement with clients, share challenges they have in reducing GHG emissions. We work together with them towards reduction of GHG emissions with solution proposals.	
		-37% (Base year: FY2019) (Key Japanese domestic corporate clients)	

Scope 1 is for direct emissions from our group, such as gasoline from company-owned vehicles.

Scope 2 is for indirect emissions from the use of electricity and gas.

Scope 3 is for indirect emissions by our group's operations other than those in Scope 2.

<Renewable Energy Use>

FY2030	FY2050
60%	100%

[Improving Sustainability of Natural Capital]

- Natural capital is the foundation that supports our society and economy. As its conservation and sustainable use is essential to the economic development and prosperity of society, we take initiatives to conserve biodiversity and improve sustainability of natural capital.
- We will carefully determine whether or not to provide insurance or make investments in the following businesses that may have negative impacts on the environment and local communities, while taking into account the businesses' consideration for the environment and society.
 - New construction of coal-fired power plants and coal mines, oil-fired power plants and oil fields, oil sand mining, and gas fields
 - New construction of hydroelectric power plants
 - New agriculture, forestry and fisheries projects involving large-scale development in unexplored areas
 - Projects that could destroy natural and cultural heritage sites protected under the UNESCO Convention for the Protection of World Heritage Sites and wetlands protected under the Ramsar Convention

【Respect for Human Rights】

- As respecting human rights is the foundation of a safe society where one can enjoy peaceful lives, we conduct our business activities with respect for human rights.
- We will not provide insurance for, nor make investments in cluster munitions that may kill large numbers of people at once and biological and chemical weapons, and anti-personnel mines that may cause indiscriminate mass killing.
- We will carefully determine whether or not to provide insurance or make investments in the businesses which may violate human rights of indigenous people or local communities, while taking into account the businesses' consideration for the environment and society.

The Board of Directors and the Sustainability Committee hold discussions on the policies, plans, and the progress initiatives for the aforementioned Business Activities with Consideration for Sustainability. We keep the highly transparent disclosure and engage in dialogue with stakeholders. Revision and /or modification may be applied when necessary.

MS&AD Insurance Group participates in the following initiatives.

- Paris Pledge for Action
- United Nations Global Compact (UNGC)
- United Nations Environment Programme – Finance Initiative (UNEP FI) (Principles for Sustainable Insurance (PSI), Natural Capital Finance Alliance (NCFA))
- Principles for Responsible Investment (PRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Partnership for Carbon Accounting Financials (PCAF)
- Japan Climate Initiative (JCI)
- Principles for Finance Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)
- Japan Business Initiative for Biodiversity (JBIB) etc.

*1 : Existing coal fired power plants and thermal coal mines with technologies and techniques aiming to achieve the goals of the Paris Agreement might be handled after careful consideration.

*2 : Companies that derive at least 25% of their revenues from coal-fired power generation, thermal coal mines or companies that generate at least 25% of their energy from coal.

*3 : Projects and companies planning to decarbonize to achieve the goals of the Paris Agreement are exempted.

MS&AD's Story of Value Creation and Business Models

The MS & AD Insurance Group's business model, "The Story of Value Creation," is centered on the insurance business, a highly public business that solves social issues and provides value to society. At the same time, we ourselves pursue the value of sales and profits.

As an insurance and financial service provider, our Group anticipate a wide range of risks, including accidents and disasters, and provides coverage in the event of an emergency based on our concept of sustainability. In addition, in order to lessen the occurrence of risks, we commit to solving social issues that cause risks. We will realize the creation of common value with society through our activities by identifying and communicating risks, preventing the emergence of risks and reducing their impact, and reducing economic burdens. This is our Group's business model.

- > Our Sustainability Approach
- > MS&AD's Story of Value Creation
- > Our Value Creation Approach

Our Aim: The Group which Supports a Resilient and Sustainable Society

In its medium-term management plan (2022 – 2025), the Group aims to be a "Group which supports a resilient and sustainable society" that will grow together with society by contributing to the resolution of social issues as a platform for risk solutions based on our story of value creation. To put our Group's management concept into practice, we will support the creation of a surroundings where customers can live and conduct business activities with peace of mind by addressing social issues and providing products and services based on our company's business model.

A corporate group that supports a resilient and sustainable society

As a platform provider of risk solutions,

we will help solve climate change and other social issues, while growing together with society.

- In addition to covering economic losses, seamlessly provide products and services before and after coverage and protection.
- Offer optimal solutions through marketing, underwriting, payment services and risk consulting that utilize digital technologies.

Story of Value Creation

By facing social issues and providing products and services through our business model to realize our mission, we will help create an environment where customers can live and conduct business in a secure manner.

Our Management Philosophy (Mission)

To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business

Our Business Model



Identifying Materiality

Our group selects social issues that need to be resolved, taking into account common global goals and international guidelines and frameworks. It then evaluates the impact on stakeholder's decision-making and the impact on our Group's business, and identifies those that are of greater importance to both parties as our materialities.

[STEP 1] Analysis of social issues

In order to accurately grasp the issues that society needs to solve, we have identified social issues based on the SDGs (Sustainable Development Plans), ISO 26000, international guidelines, frameworks, reports, etc., which are common global goals.

Social issues are extracted from the following.

- Issues that must be addressed internationally (Global Risk Report, SDGs, etc.)
- Issues specified by international guidelines requiring companies to respond to and disclose information (ISO 26000, GRI Standard, SASB, DJSI, CDP, etc.) *
- Issues identified in reports published by domestic government agencies and national and international organizations (Relevant Ministries, Non-Life Insurance Associations, Swiss Re Sigma Report, etc.)

1	Acceleration of global warming	8	Aging population and declining birthrate	15	Price instability
2	Damage to natural capital (Ecosystem degradation and crisis)	9	Human rights violations and exclusion of diversity	16	Hunger and food crisis
3	Environmental pollution and non-circular economy	10	Increasing poverty and inequality	17	Debt crisis
4	Emergence of new risks	11	Customer Responsibility	18	Frequent and spreading regional conflicts and terrorism
5	Spread of infection	12	Compliance	19	Disillusionment among young people
6	Large-scale earthquake	13	Corporate Governance	20	Commodity-shock
7	Decline of local industry	14	Human Capital	21	Immigration problems

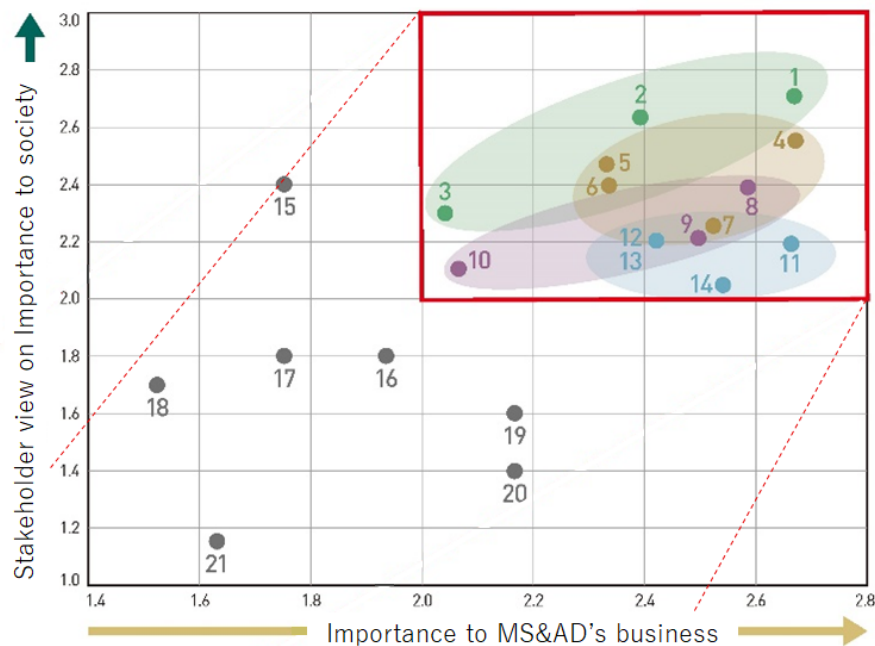
[STEP 2] Identification of priority issues

With regard to our group's business activities aimed at resolving social issues, we analyzed items that have a significant impact on stakeholder evaluations and decision-making, and items that have a significant impact on our group's long-term risks and opportunities. We identified three priority issues that are of high importance to both stakeholders and our company *.

*In evaluating our stakeholders, we use surveys of customers and agents, dialogues with shareholders, dialogues with investors and lenders, and employee engagement to investigate and analyze social issues that need to be resolved and expectations for our company.

■ We have analyzed social issues from two perspectives: (1) the impact of our company on society (stakeholder view on importance to society); and (2) the impact of society on our company (importance to our business).

■ We have sorted out the issues that are more than 2.0 in importance for stakeholders and our company, and set the materiality.



1	Acceleration of global warming	Planetary Health
2	Damage to natural capital (Ecosystem degradation and crisis)	
3	Environmental pollution and non-circular economy	
4	Emergence of new risks	Resilience
5	Spread of infection	
8	Large-scale earthquake	
7	Decline of local industry	
8	Aging population and declining birthrate	Well being
9	Human rights violations and exclusion of diversity	
10	Increasing poverty and inequality	

Core Initiatives		
11	Customer Responsibility	Quality Human Resources ERM
12	Compliance	
13	Corporate Governance	
14	Human Resources	

[STEP 3] Main Initiatives for the Priority Issues


These three priority issues are recognized as our challenges for CSV (Creating Shared Value) in order to clarify our intention to address them as initiatives that create value for both society and the Group. Main initiatives are as follows. Furthermore, the goals that we aim to achieve through solving these issues are aligned with SDGs.

Priority Issues

Priority issues	Social issues	Main initiatives
Symbiosis with global environment (Planetary Health)	<ul style="list-style-type: none"> Global warming Damage to natural capital Environmental pollution Linear economy 	<ul style="list-style-type: none"> Action on climate change <ul style="list-style-type: none"> Aiming for net zero carbon emissions by 2050 Improvement of sustainability of natural capital
Safe and secure society (Resilience)	<ul style="list-style-type: none"> Emergence of new risks Major earthquakes Spread of infectious diseases Decline of regional industry 	<ul style="list-style-type: none"> Measures to address new risks Loss prevention/mitigation Regional revitalization <ul style="list-style-type: none"> Creation of a resilient and inclusive society
Happiness of diverse people (Well-being)	<ul style="list-style-type: none"> Aging population and declining birthrate Human rights violations Elimination of diversity Poverty and widening income disparity 	<ul style="list-style-type: none"> Adaptation to a society of healthy longevity Promotion of respect for human rights Improvement of employee engagement

[STEP 4] Board approval

Materiality assessment results and the Priority Sustainability Issues of the Medium-term Management Plan are signed off by Board of Directors, and are disclosed to stakeholders through information sharing meetings and to employees through briefing sessions.

[!\[\]\(17413706fd4997a1a4bdf85c6864eee1_img.jpg\) Risks, Opportunities and Initiatives \(PDF\)](#)


Targets and Results

We have set Key Performance Indicators (KPI) targets to promote Sustainability initiatives.

 Key Performance Indicators (KPI)

Impacts of CSV Initiatives

We estimate both the “impact on society” and the “economic impact on our Group” from CSV initiatives.

 Impact

ESG Integration

The MS&AD Insurance Group has established its sustainability approach, which it upholds as a collection of strategies for ESG issues. In all of its corporate activities, including the development and provision of products and services and investments and loans, the Group takes sustainability into account, including factors such as environment, society, and corporate governance (ESG).

 ESG Integration

Management Structure

Strategies and plans for sustainability-related initiatives are discussed at the Board of Directors meetings and quarterly Committee Meetings. The Sustainability Committee comprises of members that include presidents, officers in charge of planning and risk management, outside directors of the Company and the Group's domestic insurance companies, and discusses considerations for sustainability issue in all business activities. The details of the Sustainability Committee's discussions are reported to the Board of Directors and the Management Committee.

Targets (KPI) and Results

Key Performance Indicators (KPI) in the Medium-Term Management Plan to Promote Our Sustainability Initiatives

KPI


Materiality	Metrics	Group Targets	FY2022 Achievement
Planetary Health	GHG emissions reduction rate (Scope 1+2)	FY2030 ▲50% vs FY2019 FY2050 Net Zero	▲26.8%
	GHG emissions reduction rate (Scope 3)	FY2030 ▲50% vs FY2019 Category :1、3、5、6、7、13	▲26.9%
		FY2050 Net Zero Category :All Categories	
	Renewable energy usage rate	FY2030 60% FY2050 100%	21.1% (*1)
	Premium growth rate of products which contribute to decarbonization and circular economy	FY2025 Annual average of 18 %	17.9%
Resilience	Rate of increase in the number of underwritten policies for products which help improve the resilience of society	FY2025 Annual average of 20%	29.4%
	Instances of support for the resolution of issues faced by regional companies (Consulting services, training/seminars)	FY2025 10,000 instances a year	12,349instances
Well-being	Number of policies in force for products which help solve health-related social issues	FY 2025 2.6 million	2.17million
	Number of policies in force for asset-building products to support longevity	FY 2025 0.1 million	0.05million
	Instances of support for action by companies to address human rights (Consulting services, training/seminars)	1,000 instances a year	1,111instances

(*1) Correction made on August, 2023 Before correction : 24.1% After correction : 21.1%

ESG Data


> ESG Data / Reference Material

Reference: Target and Results of Vision 2021

> Target and Results of Vision 2021 

< Main Efforts >

The classification of cases may differ from "Our Value Creation Approach" in this report.
In "Our Value Creation Approach," we have adopted the classification that is most easily understood by all.

> Our Value Creation Approach 

Medium- to Long-term Target

■ The following targets have been set for reducing Greenhouse Gas (GHG) Emissions.

< GHG Emission Reduction >

Scope		FY2030	FY2050
Scope 1, 2		-50% (Base year: FY2019)	Net Zero
Scope 3	Categories 1, 3, 5, 6, 7, 13	-50% (Base year: FY2019)	
	Underwriting/Investments	We, through engagement with clients, share challenges they have in reducing GHG emissions. We work together with them towards reduction of GHG emissions with solution proposals.	
		-37% (Base year: FY2019) (Key Japanese domestic corporate clients)	

*1 : Categories quantifiable and with importance in light of employee behavior change and natural capital conservation.
Category 1: Purchased products and services (Subject: Paper and mail), 3: Non-scope 1 and 2 fuel and energy activities, 5: Waste from operations, 6: Business trip, 7: Employee commuting, 13: Lease assets, 15: Investments etc.

< Renewable Energy Use >

● Targets for renewable energy usage ratio

FY 2030	FY 2050
60%	100%

■As for the promotion of diversity, equity and inclusion, the following targets are set.

●KPI and Targets for Diversity, Equity and Inclusion

KPI	Target Year	Target	FY2022 Achievement
Percentage of female managers	FY 2030	30%	19.5%
Percentage of female line managers	FY 2030	15%	12.9%
Digital human resources	FY 2025	7,000 people	3,601 people
Employees for international business	FY 2025	1,200 people	1,182 people
Percentage of productivity improvement personnel expenses (MSI, ADI)	FY 2025	8.50%	9.2%
Percentage of people who exercise regularly	FY 2025	Current level or higher	26.5%
Percentage of male employees taking childcare leave	FY 2025	100%	92.5%
Duration of male employees taking childcare leave	FY 2025	4weeks	8.1days
Number of annual paid holidays taken	FY 2025	Equal to or greater than the previous year	16.4days
Percentage of mid-career employees among managerial staff	FY 2025	Current level or higher	22.6%
Percentage of employees hired locally overseas appointed as executives of overseas subsidiaries	FY 2025	Current level or higher	83.0%
Employee Awareness Survey	Equal to or greater than the previous year ・Sense of helping to create shared value (CSV) ・Constant awareness of MVV ・Pride in work, job satisfaction ・Active participation		4.5points
			4.6points
			4.4points
			4.6points



[ESG Data / Reference Material to refer Subject organizations and data coverage](#)

ESG integration and sustainability approach

The MS&AD Insurance Group always consider sustainability in terms of the environment, society, and governance (ESG) issues in all Group business activities, including the development of products and services, underwriting and investments.

ESG-related impacts include infringements of human rights that threaten respect for basic human rights, deforestation due to illegal logging, and corruption and bribery that undermine economic growth and stability. Our company's business activities could influence ESG factors, and our company itself could be influenced by ESG factors. While we respond to such ESG-related risks to ourselves, we have been discovering business opportunities in addressing ESG concerns, e.g. offering automotive insurance with driving protection services to support safe driving, and thereby, reduce accidents, and using Big Data to present preventative measures against natural disaster. It is essential that we carefully assess ESG-related risks and opportunities, and reflect them in our business activities. We recognize the wide-ranging ESG risks such as legal risks, reputational risks, quality-related risks, business continuity risks, operational risks, transition risks, financial risks, etc., and these could potentially have a major impact on our company's business activities and our stakeholders. Accordingly, we carefully identify such ESG-related risks to control them across our entire business activities.

We give an overview of these approaches in our "Perspective of Sustainability of the MS&AD Insurance Group" that describes our policies on addressing ESG concerns.

- > Our Sustainability Approach 
- > Products and services that contribute to achieving Sustainable Development Goals (SDGs)
- > ESG integration and sustainability approach (practical process)  (610KB)

Implementation of "Business Activities with Consideration for Sustainability"

In May 2019, we committed that it would consider sustainability in all of our business activities in line with our ESG policy "Business Activities with Consideration".

[ESG Guideline]

Sector	Classification	Guideline
Coal	To be excluded	Coal fired power plant, Coal mine(Mainly producing thermal coal)* ¹
	To be excluded	Underwriting new policy of oil and gas extraction and coal-mining projects* ³ by companies whose primary business is coal* ²
Oil・Gas	To be excluded	Oil sand mining, Oil & Gas extraction in the Arctic region* ³
	To be reviewed	Oil fired power plants and oil fields, Oil sand mining, and gas fields
Controversial weapons	To be excluded	Controversial weapon manufacturer(cluster munitions, anti-personnel mines and chemical weapons)
Agriculture, Forestry and Fisheries	To be reviewed	New agriculture, forestry and fisheries project involving large-scale development in unexplored areas
Hydroelectric power	To be reviewed	Construction of new hydroelectric power plants
Nature conservation area	To be reviewed	Project with negative impact on UNESCO World Heritage Sites or Ramsar-listed wetlands that may have negative impact on the environment and local communities
Human rights	To be reviewed	Businesses which may violate human rights of indigenous people or local communities

*1 Existing coal fired power plants and thermal coal mines with technologies and techniques aiming to achieve the goals of the Paris Agreement might be handled after careful consideration.

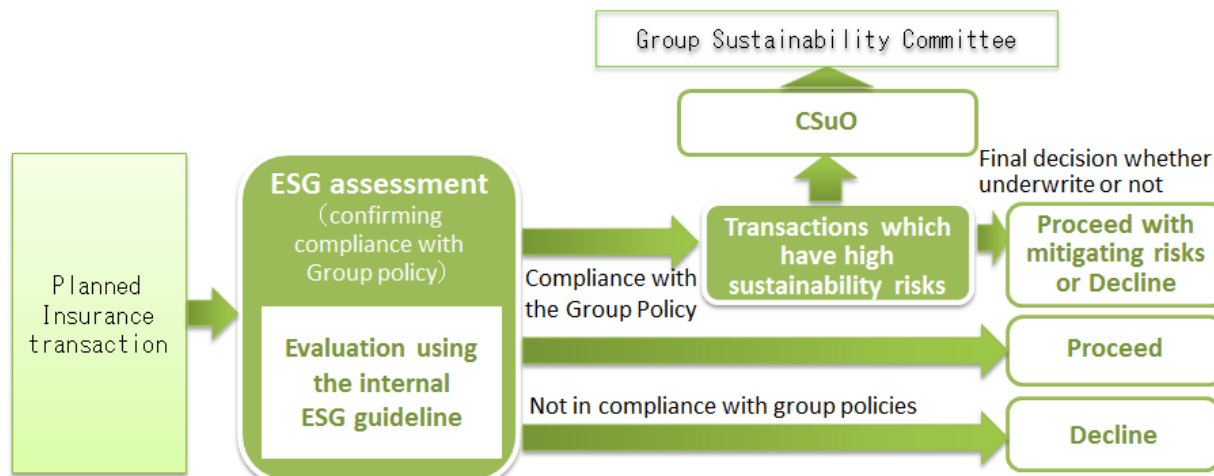
*2 Companies that derive at least 25% of their revenues from coal-fired power generation, thermal coal mines or companies that generate at least 25% of their energy from coal.

*3 Projects and companies planning to decarbonize to achieve the goals of the Paris Agreement are exempted.

[Process for Underwriting*]

In underwriting insurance, we have established an escalation process for projects that are considered to be in compliance with the Group's policies, but are deemed to have high sustainability risks (ESG risks). Since September 2020, we have reported such transactions to the Group Sustainability Committee based on the judgment of the senior management of the responsible sections for ESG. When formulating and revising policies, we hold dialogues with our company's client companies and share an understanding of the need for initiatives to move toward decarbonization.



*For the investment and financing process, please refer to "Investment and financing considering ESG issues" and "ESG evaluation process" below.



Signatory to the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI)

The MS&AD Insurance Group has been seeking out what are the best practices for financial institutions that take into account environmental and social sustainability, and it has been participating in the United Nations Environment Programme Finance Initiative (UNEP FI) to disseminate and promote these best practices.

Our company has also signed up to the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI) published by UNEP FI. We have been working on activities such as a pilot project for considering climate change-related and nature-related risk analyses and information disclosure carried out by UNEP FI or PSI.

Principles for Sustainable Insurance (PSI)	Having signed PSI in June 2012, we give careful consideration to ESG (environmental, social, and governance) issues in our business activities as an insurance company, and undertake to do our part for the sustainable development of our planet.	 PSI Principles for Sustainable Insurance
Principles for Responsible Investment (PRI)	Having signed PRI in June 2015, we pursue constructive dialogue with companies we invest in, taking ESG and other perspectives into account, and develop ESG-based investing practices.	Signatory of:  PRI Principles for Responsible Investment

> Climate-related Financial Disclosure

> Nature-related Financial Disclosure

Development of Products and Services with Consideration for ESG

The MS&AD Insurance Group has underwriting criteria adapted for respective product and service as part of risk assessment process. In each process, certain ESG criteria are considered such as natural catastrophe risks, involvement with anti-social forces or ethical risks, based on the nature of the risk. Comprehensive process including system verification are properly implemented. Underwriting decision including the Board's approval are made based on these risk evaluations.

In association with underwriting products and services, we discuss general policy to handle ESG risks at the Sustainability Committee, and we evaluate and manage individual ESG risk at the Risk Management Committee. Both committees shall report their decisions and conclusions to the Board of Directors.

In developing products and services, we examine the value to society and the value for our company generated by our products and services from various angles, and we strive to create value shared with society in providing these products and services. We have also developed a variety of sustainable products and services such as insurance or risk consulting services that support renewable energy projects, discounts to drivers who take a safe driving lecture aiming at reducing traffic accidents, and automotive insurance policies that allow the same-sex partner to be beneficiaries to support diversity.

In underwriting these products and services, all employees and agencies deepen their understanding of sustainability issues, including ESG risks, through trainings and other means, and to promote initiatives to realize a resilient and sustainable society with customers through dialogue. Additionally, in reviewing factors to be considered, we have referred to the UN Global Compact, the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the International Labour Organization Standards, the UN Convention against Corruption, and the OECD Guidelines for Multinational Enterprises.

 Products and services that contribute to achieving Sustainable Development Goals (SDGs)

ESG Investment and loan

As a signatory to the Principles for Responsible Investment (PRI), the MS&AD Insurance Group takes ESG issues into account for investment and loan.

Specifically, we incorporate ESG factors into investment/loan processes and promote ESG-themed investment (Sustainability-themed investment/loan, impact investment) on the basis of profitability, taking into consideration the MS&AD Insurance Group's sustainability priorities. In addition, MSI and ADI declared their acceptance of Japan's Stewardship Code, and have since engaged in constructive dialogue in line with ESG perspectives with investee companies, to encourage them to take appropriate actions to increase medium-term corporate value by raising their awareness over ESG.

Initiatives for ESG Investment and Loan


ESG investment and loan initiatives	Content
Integration	
Reflection of the response to the Group's "Business Activities with Consideration for Sustainability"	Screening specific uses of funds and industries ("coal-fired power generation" and "inhuman weapons manufacturing" etc.) without investments and loans, and making prudent decisions on whether to engage in transactions from the perspectives of responding to climate change, improving the sustainability of natural capital, and respecting human rights
Incorporation of the Group's priority issues into the research	Focusing on "CO2 emissions", "deforestation", "water risk", and "human rights violations", evaluations by ESG evaluation companies and international initiatives (such as CDP) are used for investment decisions and monitoring.
Constructive Engagement	
Engagement	Conduct dialogue centered on stewardship activities
Positive Impact	
Sustainable/thematic investing	ESG issues, investments, and loans in themes such as renewable energy (e.g., solar, wind, hydrogen), green transition finance (greenhouse gas reduction), and regional revitalization
Impact investing	Investment in themes such as healthcare and education, focusing on climate change


Integration into Investment/Loan Processes - Systematic Incorporation of ESG factors into the investment process



Implementation of Constructive Responses as a Responsible Institutional Investor

From the perspective of fulfilling their social responsibility as institutional investors, Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) have announced their support for Japan's Stewardship Code, a code of behavior laid out for institutional investors. In line with the Code, we carry out a constructive dialogue with investee companies to encourage them to enhance their medium- and long-term value and sustainable growth, and, through the dialogue, we focus on understanding their management issues, their shareholder return policy, ESG, and other non-financial information. From July, 2022 to June, 2023, MSI and ADI conducted constructive "purposeful dialogue" with two companies, resulting in a total of 361 firms.

> MSI Our Policies According to Japan's Stewardship Code 

> ADI Our Policies According to Japan's Stewardship Code 

In addition, through constructive dialogue (engagement) with our investee companies, we are encouraging them to reduce GHG emissions and disclose information in accordance with the TCFD recommendations, aiming for realization of a net-zero society. Specific matters to be confirmed include organizational structure in relation to addressing climate change, their efforts toward GHG emission reduction targets, their plans for technological innovation, and any challenges they face.

< Examples of initiatives for engagement in relation to climate change >

Example 1	Example 2
<p>We had an engagement with a chemical manufacturer which is experiencing technological issues in its attempts to reduce GHG emissions, and we exchanged views on the feasibility of its transition plan with a 2030 reduction target.</p> <p>While checking specific schedules for measures such as conversion to biomass fuel and mixed combustion and use of ammonia in that company's private power generation equipment, we have been conducting a frank engagement on issues such as fuel supply and costs, and we plan to have ongoing engagement with the company.</p>	<p>We had an engagement with a logistics company which has issues in responding to climate change, and exchanged views.</p> <p>The company has recently expressed support for the TCFD recommendations, and plans to conduct scenario analyses, going forward. Therefore, we helped the company to deepen its understanding of the significance of such analysis by providing information on how important it is and introduction of some case examples where analysis led to the discovery of strengths and weaknesses of strategies in companies which carried out such scenario analyses.</p>

ESG-themed investing including action on climate change

< Sustainability-themed investment >

Net-zero transition requires technological innovation and capital investment toward a drastic reduction of GHG emissions. Factors such as growth of demand for funding and needs for new financial products and services in relevant industries will likely bring about opportunities for financial institutions. The Group is working on ESG-themed investing on the premise of ensuring profitability, such as investment in projects with themes of developing solutions for social issues, including climate change.

As part of our mission as an insurance company that manages insurance funds deposited in the form of premiums, we will continue, with an emphasis on quality, to invest in projects, including those that are profitable and can contribute to both the environment and society.

Investment in Funds with an ESG Issues Theme

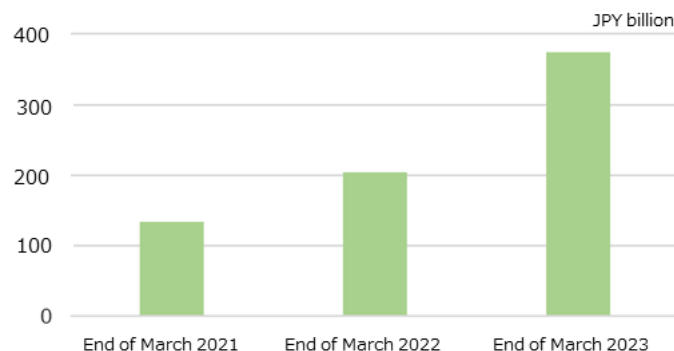
Support for Initiatives Designed to Reduce GHG Emissions

- Next-generation energy (renewables, hydrogen, etc.)
- Transition-/Sustainability-linked finance
- Green finance

Support for Global Sustainable Development

- Social/Sustainability (including supranational bonds) finance
- Regional revitalization, healthcare, etc.

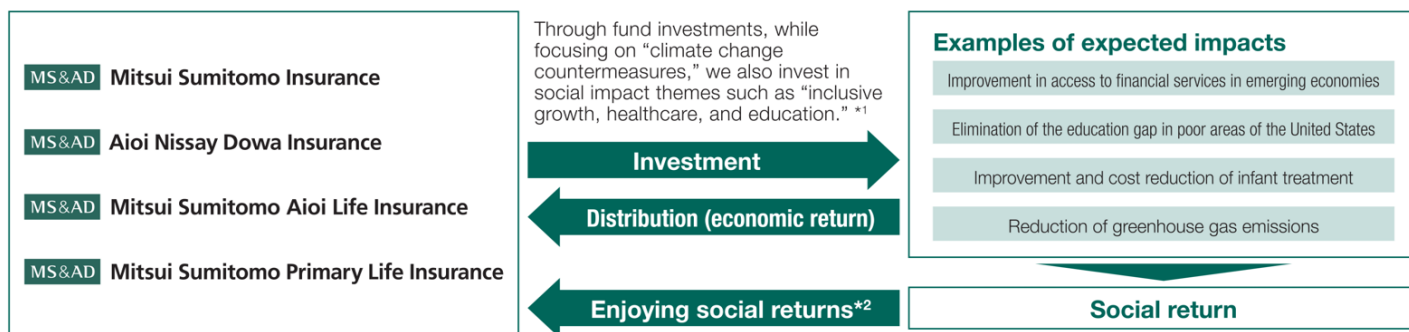
Balance trend of ESG thematic investing



< Impact Investment >

The Group's mission is "To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value". Through this investment activity, we will aim to create positive and measurable impacts on the environment/society while earning financial returns. In addition, we will contribute to attainment of SDGs and creation of a sustainable society by accumulating findings through evaluation/management of impacts on the environment/society while earning financial returns.

Started the Group Joint Impact Investments



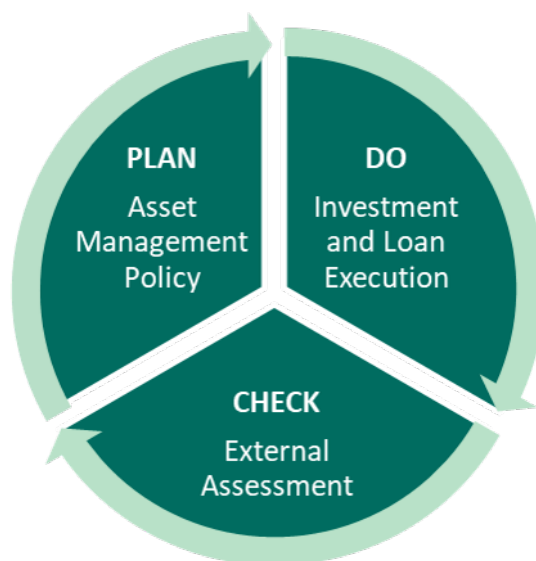
*1 Investment through a Group-specific investment vehicle. Managed by MSR (investment ratio: MS 85%, LGT 15%), an investment (asset management) JV in New York. LGT, a management company in Switzerland, is one of the global leaders in the ESG field.

*2 Achievement of SDGs and realization of a sustainable society

ESG Investment/Loan Promotion Structure

As a signatory to the Principles for Responsible Investment (PRI), global standards for responsible investment, we have been reporting to FRI the status of our ESG investment/loan activities and progress, and we have received annual evaluation of our ESG initiatives.

Utilizing the results of the annual evaluation under PRI, we aim to improve our level of ESG initiatives.




Our Principal Thematic Investment

Impact Investment


<div> <div>MSI</div> <div>ADI</div> <div>MSI Aioi Life</div> <div>MSI Primary Life</div> </div> <p>The group joint investment in overseas impact funds</p>	<p>Through funds investment and with a focus on “climate change solutions,” invest in social impact themes such as “inclusive growth, healthcare, education” as well.</p> <p>MS&AD INSURANCE GROUP INVESTS IN IMPACT FUNDS </p>
<div> <div>MSI</div> </div> <p>Investment in social impact bonds</p>	<p>Investment aimed at addressing social/environmental issues in such fields as medical/nursing care that the region is facing, in collaboration with Japanese local government</p> <p>Investment In Next Rise Social Impact Funds (in Japanese only) </p>

Sustainability-themed investment







ESG in general

<div>MSI ADI MSI Aioi Life MSI Primary Life</div> Investment in Green/Social/Sustainable Bonds	Invested in green bonds and social bonds, etc. issued by domestic and foreign companies.
<div>MSI ADI MSI Aioi Life MSI Primary Life</div> Investment in sustainable development bonds	Invested in sustainable development bonds issued by World Bank which aim to supports a wide range of projects in education, health, infrastructure, public administration, agriculture, and the environment to reduce poverty and support development in developing countries. The MS&AD Insurance Group Invests in World Bank's Sustainable Development Bond 
<div>MSI</div> Incorporation of ESG guidelines into the investment/loan processes for externally entrusted funds	Incorporated ESG guidelines into the investment process of an overseas bond fund entrusted to Guggenheim, a close partner.
<div>ADI</div> Investment in SDGs funds	Among companies making positive contributions to attaining SDGs through their products and/or services, invested in those companies with potential to improve corporate value through their business activities.

Environment








<div>MSI ADI MSI Primary Life</div> Financing for renewable energy power plants	Financing and fund investment in solar, wind, and biomass power generation to promote the spread of renewable energy.
<div>MSI ADI</div> Investment in Future Creation Fund	Invested in companies or projects that have positioned intelligent technologies, robotics, technologies useful in bringing about a hydrogen society, motorization, and new materials as core technologies, processing innovative technologies in these fields.
<div>MSI</div> Transition Finance	Supporting corporate efforts to reduce greenhouse gas emissions.
<div>MSI Aioi Life</div> Investment in Asian Development Bank's Water bond	Helping to achieve water security in the Asia-Pacific Region. Investment in the Water Bonds issued by the Asian Development Bank -Supporting the achievement of water security in the Asia-Pacific region- (MSA) (Japanese only) 

Social

 <p>Investment in Japan International Cooperation Agency's Social bond</p>	<p>Investments in areas aimed at developing basic infrastructure (water, sewage, sanitation, transportation improvements, etc.), improving access to social services (health, education, vocational training, financial services, etc.), and addressing social issues.</p> <p>Social contribution through bond investments -Investment in the social bonds issued by the Japan International Cooperation Agency- (MSA) (Japanese only) </p>
 <p>Investment in Japan Railway Construction, Transport and Technology Agency's Sustainability bond</p>	<p>The funds used for financing and refinancing of "Railway Construction Operations" and "Shared Shipbuilding Operations" by Japan Railway Construction, Transport and Technology Agency, contributing to the achievement of the United Nations Sustainable Development Goals (SDGs) through both operations.</p> <p>Social contribution through bond investments -Investment in the sustainability bonds issued by the Japan Railway Construction, Transport and Technology Agency- (MSA) (Japanese only) </p>
 <p>Investment in African Development Banks's Industrialize Africa bond</p>	<p>The project aims to industrialize Africa, focusing on the following priority areas for development: (1) electrification of Africa, (2) increased food production, (3) industrialization, (4) regional integration, and (5) improvement of quality of life.</p> <p>Social contribution through bond investments -Investment in the African Development Bank's "Industrialize Africa Bond"- (MSA) (Japanese only) </p>
 <p>Investment in Inter-American Development Bank's Sustainable Development bond</p>	<p>Supporting the fight against novel coronavirus infection through bond investments.</p> <p>Investment in the Sustainable Development Bonds issued by the Inter-American Development Bank -Social contribution through bond investments (support for measures against the COVID-19 pandemic)- (MSA) (Japanese only) </p>
 <p>Investment in Asian Development Bank's Gender bond</p>	<p>Promoting gender equality and women's advancement in the Asia-Pacific Region.</p> <p>Investment in the Gender Bonds issued by the Asian Development Bank -Promoting gender equality and women's advancement in the Asia-Pacific region- (MSA) (Japanese only) </p>
 <p>Investment in Japan International Cooperation Agency's Peacebuilding Bonds</p>	<p>Supporting projects contributing to peace, stability and rehabilitation of countries, regions, etc. affected by conflicts and/or civil wars.</p> <p>Investment in the Peacebuilding Bonds issued by the Japan International Cooperation Agency (MSA) (Japanese only) </p>
 <p>Investment in agriculture fund</p>	<p>Helping to reduce hunger to zero by investing in a farmland fund that aims to increase productivity.</p>

External Assessment

Investing methods that assess corporate sustainability from the standpoint of Environmental, Social and Corporate Governance (ESG) are spreading. The MS&AD Insurance Group utilizes the assessments provided by major ESG evaluation organizations to improve its sustainability approach. As of July 2023, the Group is a constituent of the following ESG indices and has received high evaluation:

- > Dow Jones Sustainability Indices (Asia Pacific) 
- > MSCI Japan ESG Select Leaders Index (Japanese only) 
- > MSCI Japan Empowering Women Index (Japanese only) 
- > FTSE4Good Index Series 
- > FTSE Blossom Japan Index 
- > ISS ESG Corporate Rating Prime 
- > S&P/JPX Carbon Efficient Index 

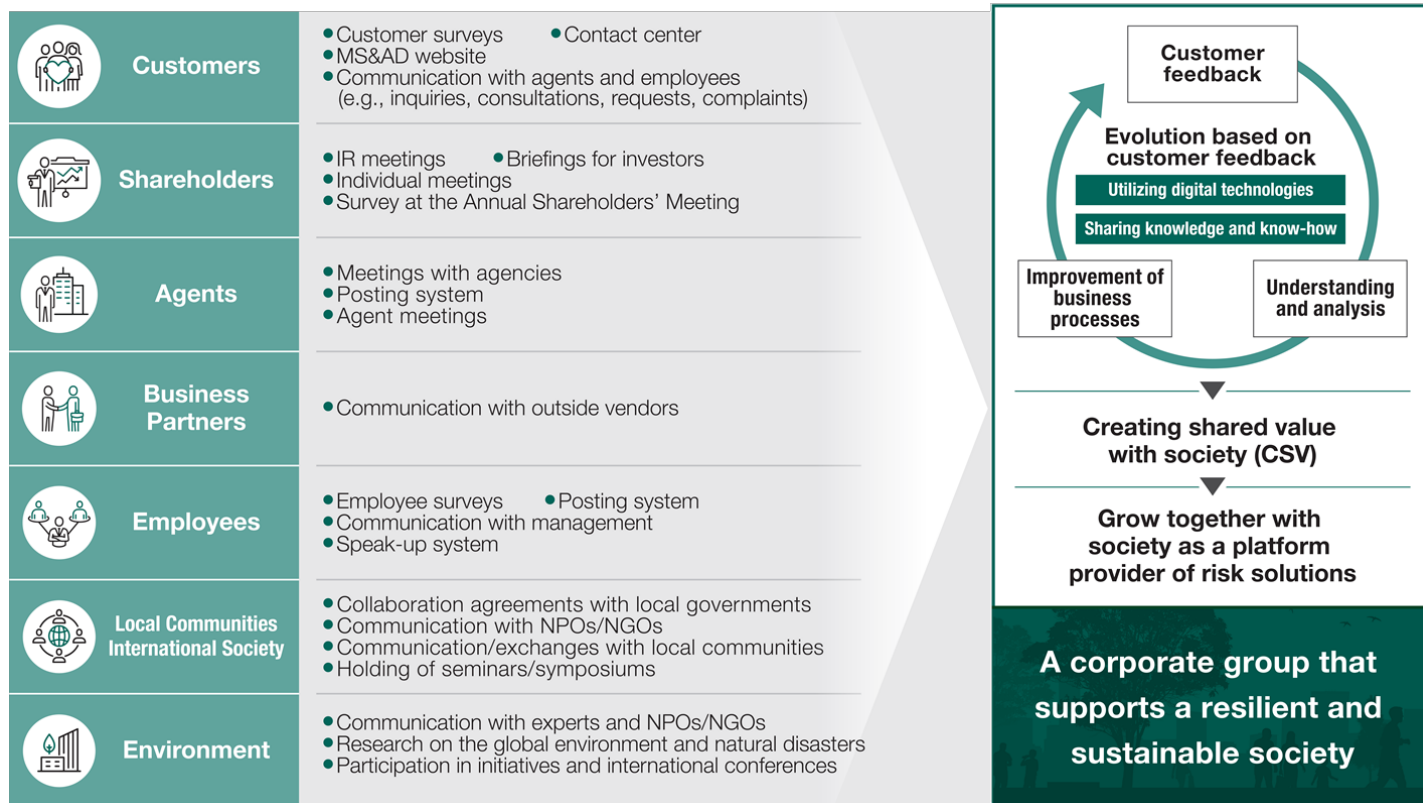


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Communication with Stakeholders

We believe it is important to understand what our stakeholders expect and want from our Group and to utilize this understanding to improve the quality of products and services in order to consistently be valued as a corporate group that makes progress based on communication with our customers. Our Group has various systems in place to facilitate communication with our stakeholders and offers quality which meets their expectations through feedback-based business improvement and highly transparent and effective corporate governance practices. It is our role to provide the best solutions to the uncertainties and risks in society based on public expectations for the insurance and financial services. In order to provide safety and security to people and support dynamic business activities and a healthy and productive life, we listen and react to a wide variety of feedback from stakeholders, including customers, through such channels as consultations, requests, complaints, and opinions received, and utilize it for quality improvement. In addition, we publicly disclose our processes for understanding the feedback received, as well as the results and progress of counter measures.

Communication with Stakeholders



Customers

Based on the MS&AD Insurance Group Basic Policy for Responding to Customer Communications, we listen sincerely to feedback from our customers obtained through customer questionnaires, the official website, and communication with agents/employees, and utilize it to improve business operations for quality enhancement. In addition, we have established the Customer-first policy in the business operations to ensure that we carry out business operations placing high value on the customer-first principle. We have developed various schemes that help to understand our stakeholders' needs and expectations and, to that end, to improve the quality of the products and services we offer together with management level discussions.

Quality that Earns the Trust of Society

<p>Shareholders</p>	<p>We have been developing a range of IR activities such as IR meetings, briefings for investors, individual meetings, and shareholders' meeting questionnaires, in accordance with the Basic Policy to win the trust of shareholders and investors, and to enable our Group's corporate value to be fairly evaluated. Our Group proactively engages in highly transparent information disclosure and constructive dialogue with shareholders and investors in an initiative to achieve sustainable growth and increase corporate value.</p> <p>Specifically, through highly transparent information disclosure, our Group seeks to reduce information asymmetry with shareholders and investors. The feedback gained from the constructive dialogue with shareholders and investors is shared with management and the relevant departments to be utilized in the formulation of management strategies.</p> <p>IR Events</p>
<p>Agents</p>	<p>We seek to contribute to resolution of social issues and grow together with society by maintaining continuous communication with agents, who are our business partners, to provide "Products/services covering before/after compensation/guarantees, in addition to "financial loss" and "Best solutions utilizing digital technologies" in an integrated manner by the Group and agents. We intend to further strengthen communication with agents through measures such as holding study sessions aimed at bolstering their growth, supporting their activities to contribute to their local and regional societies, and providing an information-sharing system. Furthermore, due to the growth of full-time insurance agents' businesses, dedicated full-time staff members with expertise provide overall management support to agents, including in growth strategies, maintenance of systems, and staff education through training and one-to-one meetings, thereby improving the agents' management base and the quality of their products and services.</p> <p>Quality that Earns the Trust of Society</p>
<p>Business Partners</p>	<p>We will conduct fair and equitable transactions with integrity and endeavor to achieve sustainable development as well as to fulfill our corporate social responsibilities. The MS&AD Insurance Group explains its Group Environmental Basic Policy to business partners and asks for their cooperation. Furthermore, The MS&AD Insurance Group supports its business partners' initiatives towards the environment, including the acquisition of Eco Action 21 certification, a simplified version of the environmental ISO certification.</p> <p>Transaction Responsibilities</p>
<p>Employees</p>	<ul style="list-style-type: none"> · Each year, the MS&AD Insurance Group carries out an employee engagement survey covering topics such as those to ascertain the degree of diffusion of the Group Mission, Vision, and Values; the degree of unity within the Group; and whether employees feel a strong sense of motivation. · A "speak up" system encouraging whistleblowing has been put in place, creating an environment in which employees can frankly and proactively share their views or raise concerns on any problems they may have. · A message board was established on the intranet to collect the views and improvement proposals from employees in order to incorporate them into quality improvement. The opinions are reviewed at each headquarters division and the feedback is given based on the results. · Through the exchange of opinions between executives and employees, we continue to make initiatives to leverage employee feedback in business operations. <p>Improvement of employee engagement</p> <p>Implementing Activities and Dialog that Respect Human Rights</p>

Local Communities and International Society	<p>As a member of both the local and international communities, our Group takes part in domestic and global initiatives. We also contribute to realization of resilient and sustainable community development by revitalizing local communities and international society through support for regional business, identification of issues by means of communication with NPOs/NGOs, etc. in each country, and collaboration and communication with various stakeholders aimed at resolving local and global issues.</p> <p>Initiatives</p> <p>Resilient and inclusive community development (regional revitalization)</p> <p>In order to promote initiatives through our insurance business to create shared value, our employees are encouraged to join environmental conservation activities and contributing activities to the local community so that they can deepen their understanding of social issues. Furthermore, through the MS&AD Unison Smile Club, a social contribution group created by the employees of our Group, donations are made that meet local needs through dialogue with local governments and various social contribution activities in collaboration with non-profit organizations.</p> <p>Green Earth Project (in Japanese only)</p> <p>MS&AD Unison Smile Club</p>
Environment	<p>Focusing on harmonious coexistence with the global environment (Planetary Health) as a priority issue, we have been promoting initiatives for responding to climate change, improving the sustainability of natural capital, and preserving and restoring biodiversity. We have also been contributing to resolution of social issues related to the natural environment through such means as conducting joint research programs with experts at universities, research institutes, etc. on global environment/natural disasters, holding seminar sessions/symposiums, and communicating with NPOs and NGOs.</p> <p>Contributing to climate change mitigation and adaptation</p> <p>Improving the sustainability of natural capital</p> <p>Initiatives</p>

Initiatives

Our Group participates in various initiatives and strives to create shared value with society. We will continue to work to identify and address a diverse range of sustainability issues.

<p>Participation in the United Nations Global Compact*</p> 	<p>The MS&AD Insurance Group strives to carry out corporate activities with respect to the principles of the UN Global Compact. Furthermore, our Group is involved in the operation and activities of the Global Compact Network Japan, a local network of the UN Global Compact, by serving as an organizer of working sessions.</p> <p>* An initiative advocated by the former UN Secretary-General Kofi Annan in 1999. It requires global companies to comply with and practice 10 principles related to human rights, labor, environment, and anti-corruption.</p>
<p>The Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI)</p>	<p>The MS&AD Insurance Group has been seeking out what are the best practices for financial institutions that take into account environmental and social sustainability, and it has been participating in the United Nations Environment Programme Finance Initiative (UNEP FI) to disseminate and promote these best practices. Our Company has signed on to the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI) published by UNEP FI.</p> <p>Signatory to the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI)</p>
<p>Principles for Financial Action toward a Sustainable Society in the 21st Century (PFA21)</p>	<p>In October 2011, "Principles for Financial Action toward a Sustainable Society in the 21st Century (PFA21)" and "Business-specific Guidelines (insurance, deposits, loans and leases, investment management, securities and investment banking)" were released in Japan as action guidelines for financial institutions that wish to fulfill their responsibilities and roles in building a sustainable society.</p> <p>MS&AD Holdings, Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Direct General Insurance, Mitsui Sumitomo Aioi Life Insurance, Mitsui Sumitomo Primary Life Insurance, and MS&AD InterRisk Research & Consulting have signed, showing their intent to follow these principles.</p>
<p>Principles for Responsible Institutional Investors (Japan's Stewardship Code)</p>	<p>Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, from the perspective of fulfilling their social responsibility as institutional investors, have announced their support for Japan's Stewardship Code, a code of behavior laid out for institutional investors.</p> <p>Our Policies According to Japan's Stewardship Code</p>
<p>Task Force on Climate-related Financial Disclosures (TCFD)</p>	<p>The Task Force on Climate-related Financial Disclosures (TCFD) is working on developing a framework for companies and other organizations to disclose climate-related information. The Group is promoting information disclosures in line with its recommendations.</p> <p>Task Force on Climate-related Financial Disclosures (TCFD)</p>
<p>PCAF (Partnership for Carbon Accounting Financials)</p>	<p>The MS&AD Insurance Group is a member of the PCAF, which has been developing measurement/disclosure methods for GHG emissions related to loans/investments and insurance portfolios.</p> <p>We will promote the measurement and disclosure of GHG emissions by financial institutions with the aim of contributing to emissions reduction across society as a whole. And we will also contribute to the realization of a net-zero society by measuring and disclosing our GHG emissions of investment and underwriting portfolios.</p>

CDP	The CDP (formerly known as the Carbon Disclosure Project) is an independent nonprofit organization with the world's largest database for corporate measures against climate changes, and corporations and organizations across the world have disclosed their greenhouse gas emissions and measures against climate change through CDP. The MS&AD Insurance Group subscribes to CDP's approaches and continuously submits new data.
Challenge Zero (innovation challenges toward a net-zero society) Declaration	In June 2020, we subscribed to the "Declaration on Challenge Zero" released by Keidanren (Japan Business Federation) in support of achieving a net zero regarding greenhouse gas emissions as early as possible, in line with the goal of the Paris Agreement.
Japan Climate Initiative	The MS&AD Insurance Group has signed up to the Japan Climate Initiative. The Initiative was launched in 2018 with the aim of enhancing Japan's efforts to address climate change and sharing information on such efforts with the rest of the world. Under the Initiative, Companies, local governments and NGOs that are actively engaged in climate change actions to cooperate toward achieving the goal.
Paris Pledge for Action	We support the "Paris Agreement," which countries all across the world affirmed in December 2015 to tackle climate change, and we have signaled our intention to work toward this goal by signing the "Paris Pledge for Action."
Taskforce on Nature-related Financial Disclosures (TNFD)	The MS&AD Insurance Group is taking part in activities of Taskforce on Nature-related Financial Disclosures (TNFD: Taskforce on Nature-related Financial Disclosures), which is aimed at promoting nature-positive financial flow. We have also established and have been operating the TNFD Consulting Group of Japan, a forum for promoting understanding of TNFD, etc.
Natural Capital Finance Alliance	In July 2016, our Group signed the Natural Capital Declaration, which calls on financial institutions to incorporate the concept of "natural capital" into their financial products and services subscribing to the purpose of the Declaration. (The Natural Capital Declaration has been reorganized as the Natural Capital Finance Alliance (NCFA).)
Business for Nature	In June 2020, the MS&AD Insurance Group subscribed to the purpose of Business for Nature, a global coalition which calls on governments to adopt ambitious nature and environmental policies.
Japan Business Initiative for Biodiversity (JBIB)	In regards to conservation of biodiversity and sustainable use of biological resources, MS&AD Holdings has been serving as the chair company of the Japan Business Initiative for Biodiversity (JBIB), which brings companies together for joint research projects on biodiversity, since JBIB's founding in April 2008. Japan Business Initiative for Biodiversity (JBIB) "The Story of Biodiversity Told by Companies"
30by30 Alliance	In order to contribute to realization of 30by30, a global target of designating at least 30% of the world's land and oceans as protected/conserved areas by 2030, the MS&AD Insurance Group has been taking part in the 30by30 Alliance for Biodiversity headed by the Ministry of the Environment. The Group is working to contribute to realization of the target by promoting conservation of its own green zone.
"Plastics Smart" Forum	We participated in the Plastics Smart campaign promoted by the Ministry of the Environment and joined the Plastics Smart Forum in July 2019. We will tackle the problem of plastic waste more actively than ever before.
30% Club Japan	In May 2019, in line with the company's vision, the MS&AD Insurance Group Holdings became a member of the 30% Club Japan, part of a global campaign aimed at developing female board members. Regarding gender diversity as an urgent business issue that companies need to address, and placing importance on diversity among decision-makers, the Company has been mounting efforts to cultivate female executives within the Group.