

ESG integration and sustainability approach (practical process)

July 2023
MS & AD Insurance Holdings

Contents

1 . Approach to Business Activities with Consideration for Sustainability..	1
2 . Practical Process	2
(1) Underwriting.....	3
(2) Investments.....	4

1 . Approach to 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.

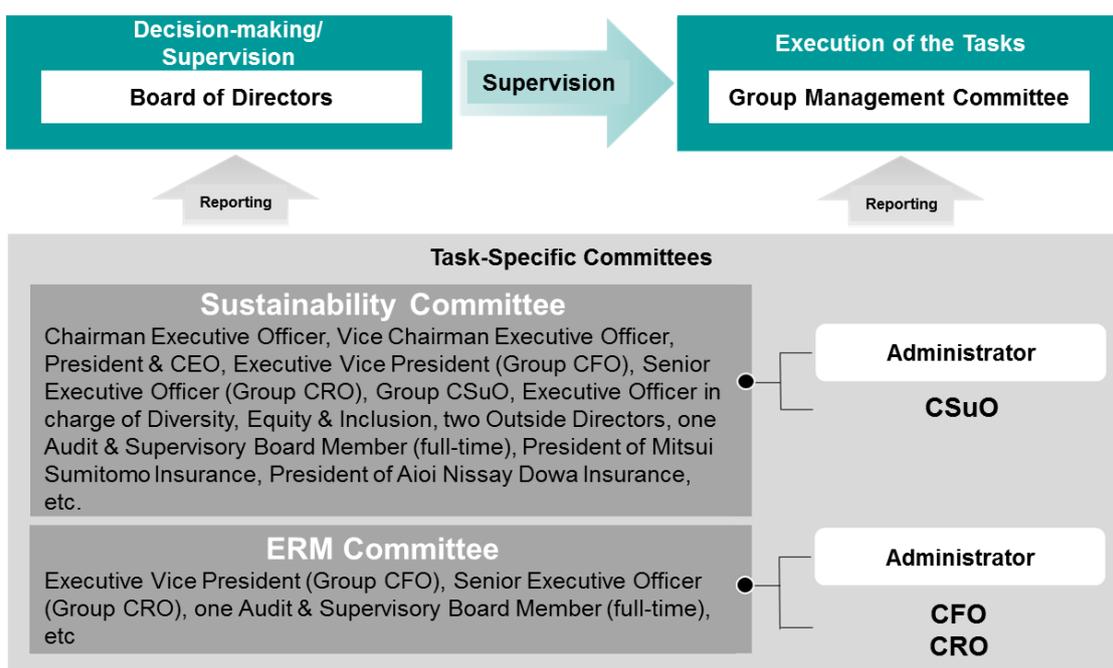
Our investments consider ESG factors in pursuit of long-term returns and contribution to solutions for sustainability issues.

Our group's approach to ESG issues is to conduct business activities that take into account environmental, social, and governance issues. The company publishes an outline of its policies and initiatives on its official website and incorporates them into its insurance underwriting and investment and financing operations.

We publish an overview of our approach to ESG issues on our official website and integrate it to our insurance underwriting and investment and financing operations.

- [Our Sustainability Approach](#)
- [ESG integration and sustainability approach](#)

The Group Sustainability Committee discusses and reports on the formulation of policies on ESG risks and decisions on responses to high-risk projects. 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. Members of various divisions work together through various ESG-themed task forces and working groups established by operating companies.



2. Practical Process

Our group announced in May 2019 that it would consider sustainability in all its business activities, as part of its "Business Activities with Consideration for Sustainability" (Group Policy).

In May 2019, our group announced "Business Activities with Consideration for Sustainability" (group policy) that we consider sustainability in all our business activities. In September 2020, we started the operation that we make it sure that transaction is carried out in line with Group Policy before proceeding. The Policy has been regularly revised as shown in the table below.

Revision history of "Business Activities with Consideration for Sustainability"	
June, 2019	•Announcement of "Business Activities with Consideration for Sustainability" started the process that we consider sustainability in all our business activities.
September, 2020	•We will not provide insurance for, nor make investments in new coal-fired power plants nor manufacturers of cluster munitions.
June, 2022	<ul style="list-style-type: none"> •We will not newly provide insurance for, nor make investments in coal-fired power plants or thermal coal mines^{*1}. •We started environmental and social risk assessment and 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. <ul style="list-style-type: none"> – oil sand mining – oil and gas extraction projects in the Arctic – 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 – businesses which may violate human rights of indigenous people or local communities •In addition to cluster munitions manufacturer, we will not provide insurance for, nor make investments in biological and chemical weapons, and anti-personnel mines.
May, 2023	<ul style="list-style-type: none"> •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 added the following project to the scope of environmental and social assessment. <ul style="list-style-type: none"> – New construction of coal-fired power plants and coal mines, oil-fired power plants and oil fields, and gas fields – New construction of hydroelectric power plants – New agriculture, forestry and fisheries projects involving large-scale development in unexplored areas

*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.

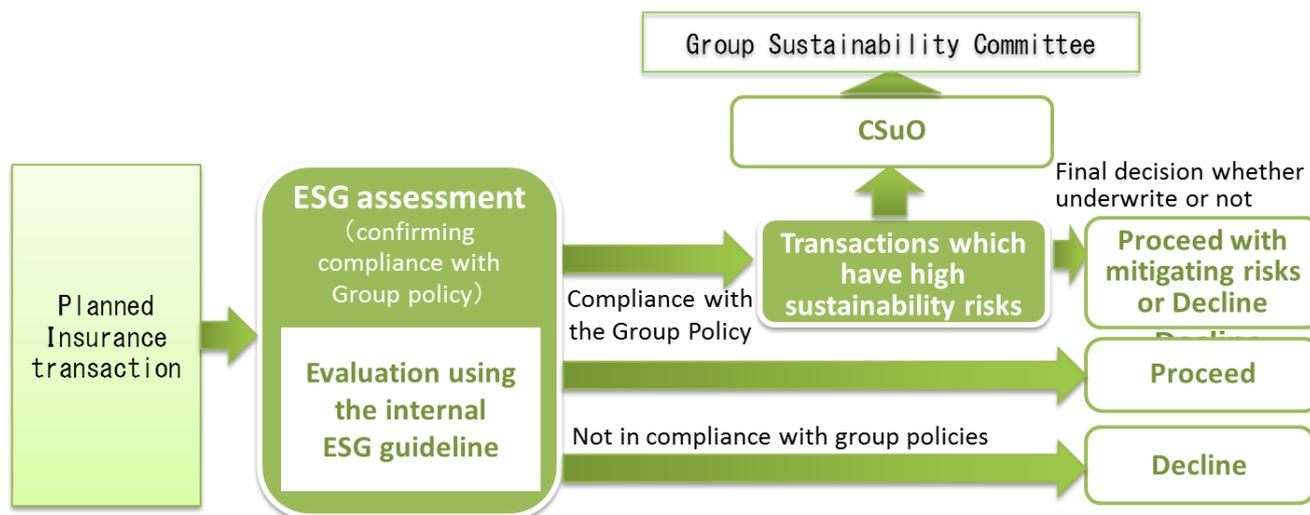
*2 Companies that derive at least 25% of their revenues from coal-fired power generation, thermal coal mines or companies that generate at least 25% of their energy from coal.

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

Since June 2022, we have assessed environmental and social risk before proceeding transactions. For all transactions which may be applied exclusion policy or required careful judgment, we have conducted environmental and social risk assessment in line with international guidelines or standards.

(1) Underwriting

For insurance underwriting, we make it sure that transaction is carried out in line with Group Policy. Such transactions have been reported to the Group Sustainability Committee by the senior management in charge since September 2020. In fiscal 2022, we have assessed 30 ESG cases. When formulating and revising policies, we hold dialogues with our corporate customers and share an understanding of the need for response to ESG. In fiscal 2022, due to the revision of the Group's policies, we held dialogues on ESG responses with 38 corporate customers.



<Sector guideline for underwriting>

Sector	Classification	Guideline
Coal	To be excluded	Coal fired power plant, Coal mine(Mainly producing thermal coal) ^{*1}
	To be excluded	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.

(2) Investments

■ ESG investment initiatives

Method	Description	Assets
Integration		
Incorporating the Group's sustainability Considerations	Review or exclude specific funding proposals, industry sectors, etc. from the perspective of climate change, natural capital, human rights.	all of asset
Integrating the Group's ESG issues into research.	Coal-fired power, CO2 emissions, Deforestation, depletion and pollution of water resources, inhumane weapons, human rights violations.	Equities, Corporate Bonds, Lending
Engagement		
Engagement	Dialogue and communication on ESG topics	Equities
Positive Impact		
Sustainable-thematic investment	Invest in themes such as ESG issues, renewable energy(solar, wind, hydrogen, etc.), green and transition finance(GHG reduction), regional development.	Equities, Corporate Bonds, Lending, Private Equity
Impact Investment	Invest in themes such as climate change, healthcare, education, etc.,	Private Equity

The Group's sustainability considerations apply to active and passive, direct and third-party managed investment

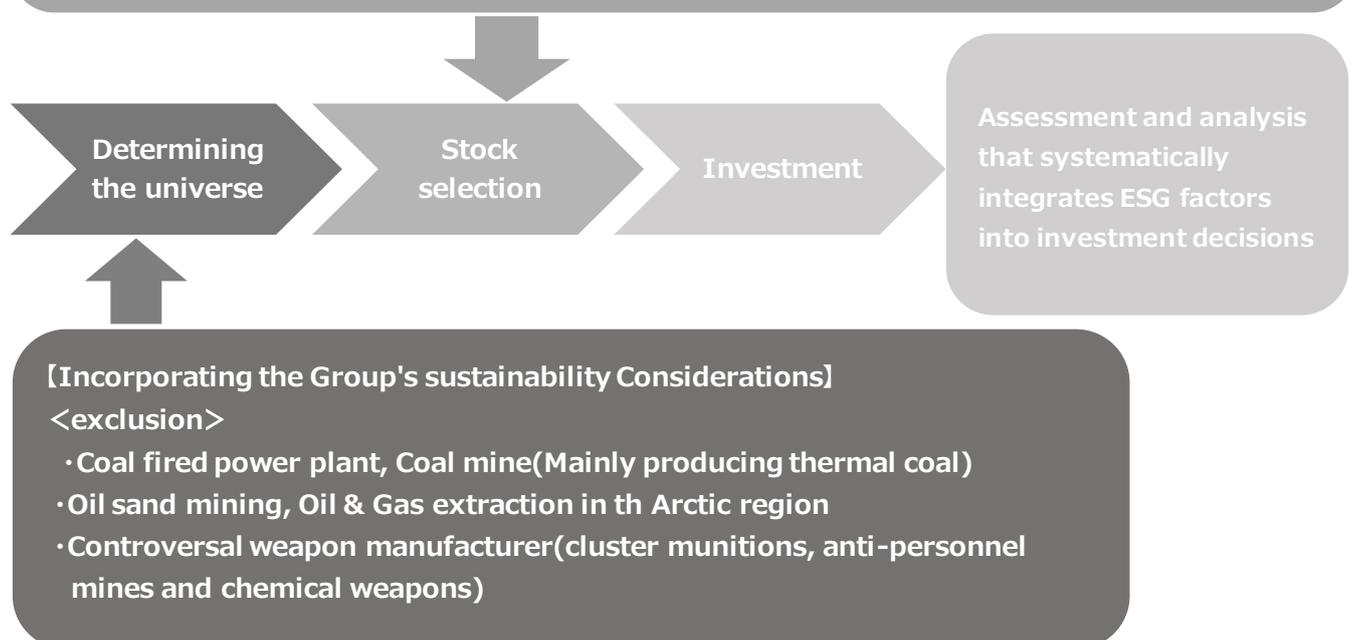
■ Asset Class Guideline

[Asset Class Object] Equities, Bonds, Lending, Private Equity

[Integrating the Group's ESG issues into research.]

<ESG Issues>

1. Climate Change (Coal-fired power, CO2 emissions)
2. Natural Capital (Deforestation, depletion and pollution of water resources)
3. Human rights (inhumane weapons, human rights violations)



<Sector guideline for underwriting>

Sector	Classification	Guideline
Coal	To be excluded	Coal fired power plant, Coal mine(Mainly producing thermal coal) ^{*1}
Oil·Gas	To be excluded	Oil sand mining, Oil & Gas extraction in the Arctic region ^{*2}
	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 Projects and companies planning to decarbonize to achieve the goals of the Paris Agreement are exempted.