

MS&AD Insurance Group
Basic Policy Pertaining to System for Internal Controls

As the holding company conducting overall management of the Group, MS&AD Insurance Group Holdings, Inc. (the “Holding Company”) shall, under the “Corporate Philosophy (Mission),” strive to create a system of management that is transparent with the control functions to facilitate the stable and sustained growth of the Group over the long term through the effective deployment of management resources and appropriate risk management and thereby raise the corporate value.

1. Group Management Structure (System for Assuring the Proper Conduct of Business at the Corporate Group Consisting of the Holding Company and Its Subsidiaries)

- (1) The Holding Company shall formulate the Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values) that all officers and employees in the Group are expected to focus on in all aspects of business, and shall strive to have them instilled in and implemented by all officers and employees of the Holding Company and its subsidiaries (subsidiaries under Companies Act and Insurance Business Act; hereinafter referred to as “Group companies”). The Board of Directors of the Holding Company shall be reported on the status of implementation whether the company’s corporate culture truly embraces the intent and spirit of the Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values).
- (2) The Holding Company shall appropriately exercise shareholder voting rights, such as appropriately voting on resolutions at Shareholders Meetings over domestic Group insurance companies and affiliates in which the Holding Company conducts direct investment (hereinafter referred to as “the Directly Invested Companies”) from the standpoint of conducting management of the Group as a whole and maximizing the corporate value of the entire Group.
- (3) The Holding Company shall execute business management agreements with the Directly Invested Companies and institute the Group Basic Policies (Corporate Governance, Risk Management, Compliance and Internal Auditing).
- (4) Pursuant to business management agreements, the Holding Company shall require the Directly Invested Companies to comply with the Group Basic Policies as well as develop a system to ensure appropriate business conduct as stated in items (i) through (iv) below for assuring the proper conduct of business.

(i) System for Reporting to the Holding Company Regarding the Execution of Duties by Directors of The Directly Invested Companies

The Directly Invested Companies shall either get approval from the Holding Company with respect to important matters affecting the Directly Invested Companies or report to the Holding Company regarding such matters. In addition, the Holding Company shall

be able to require the Directly Invested Companies to report the status of business management etc. to the Holding Company.

(ii) System to Assure the Efficient Execution of Duties by Directors of The Directly Invested Companies (mentioned in 2. below)

(iii) System to Assure that the Execution of Duties by Directors and Employees of The Directly Invested Companies complies with applicable laws and the Articles of Incorporation (mentioned in 3. below)

(iv) Rules and Other Systems for Managing Risk of Loss of The Directly Invested Companies (mentioned in 4. below)

(5) In principle, the Directly Invested Companies shall appropriately supervise the management of their subsidiaries (subsidiaries under Companies Act and Insurance Business Act) under business management agreements. For overseas bases and subsidiaries, the Directly Invested Companies shall consider local laws and characteristics when promoting the development of business systems.

2. System to Assure the Efficient Execution of Duties (System to Assure the Efficient Execution of Duties by Directors of the Holding Company and Its Subsidiaries)

(1) To ensure that there is no conflict between quick decision making and proper monitoring, the Holding Company shall adopt an Executive Officer System, appoint Outside Directors, and strengthen and separate the “Management Decision Making and Oversight Functions” by the Board of Directors and the “Business Execution Functions” by Executive Officers. In addition, in order to enable practical deliberations by the Board of Directors, the number of Directors shall not exceed 15 members, and the delegation of authority over business execution to Executive Officers shall be promoted.

(2) To facilitate the proper and efficient execution of duties by Directors and Executive Officers, the Holding Company shall institute rules pertaining to the organization and exercise of authority etc. to clarify the duties that must be performed and the rules of administrative authority.

(3) The Holding Company shall institute the Group’s Medium-term Management Plan and annual plans, strive to have them instilled among all officers and employees of the Holding Company and Group companies, and set numerical targets for each business area and properly distribute management resources to accomplish the goals of the plans. In addition, Corporate Governance, Compliance, Risk Management and etc. are positioned as important matters of management in the Medium-term Management Plan.

(4) The Holding Company shall institute the IT Governance Basic Policy of the Group in consideration of the importance of information technology (IT) as a managerial foundation of the Group, and establish an IT governance structure throughout the Group.

- (5) The Holding Company shall institute the Basic Policy on Taxes of the Group in consideration of the importance of tax matters in its business activities and establish a tax governance structure throughout the Group.
- (6) Executive Officers of the Holding Company shall provide the Board of Directors with reports of the status of business execution for the Company and the Directly Invested Companies (including summaries of business results). The Holding Company's Board of Directors shall take measures as necessary based on the content of these reports, such as modifying the targets or assigning additional management resources.
- (7) The Holding Company shall convene regular meetings of the Group Management Committee. The Group Management Committee shall have officers from the domestic Group insurance companies attend its meetings as necessary to discuss important matters affecting the Group's business strategy and management of the domestic Group insurance companies and shall determine the direction of decision making.

3. Group Legal Compliance System (System to Assure that Execution of Duties by Directors and Employees of the Holding Company and Its Subsidiaries Complies with Applicable Laws and the Articles of Incorporation)

- (1) In line with the Group's Compliance Basic Policy formulated by the Holding Company, the Holding Company and Group companies shall make efforts to instill compliance awareness among all officers and employees, and shall comply with applicable laws and internal rules, etc. and shall carry out business activities based on high ethical standards.
- (2) The Holding Company shall institute the Legal Compliance Rules as well as a Compliance Program as its implementation plan and monitor the status of the implementation to ensure compliance and develop corporate ethics. It shall also institute a Compliance Manual and revise it when necessary based on the business activities of the Group as a whole, management environment and other factors.
- (3) The Holding Company shall create business units and systems such as a Compliance Department to be responsible for overall management of matters pertaining to compliance for the entire Group. It shall also establish a Quality Improvement and Compliance Committee to conduct monitoring of the status of the promotion of compliance, and necessary measures shall be instituted with respect to matters confirmed by this committee. The Board of Directors of the Holding Company shall be regularly reported on the status of the promotion of compliance.
- (4) The Holding Company shall also institute rules within the Legal Compliance Rules for reporting in cases where officers and employees of the Holding Company and Group companies become aware of compliance-related problems. Having received such reports and information, the Holding Company's Compliance Department shall work with the relevant

departments and Group companies to investigate the content of such reports and formulate measures to prevent recurrences.

- (5) The Holding Company and Group companies shall establish a system and procedures to eliminate any antisocial influences, in line with the Group's Basic Policy Concerning Antisocial Forces instituted by the Holding Company (e.g., establishing a business unit to respond to problems, introducing guidelines, developing a system for managing databases concerning antisocial forces, strengthening collaboration with outside organizations such as police, etc.). We shall respond in uncompromising manner toward any antisocial influences, and all officers and employees must be fully informed to avoid requests that are unreasonable and inappropriate.
- (6) When the Holding Company engages in transactions with related parties such as officers of the Group, the Holding Company shall conduct appropriate monitoring to ensure that such transactions do not harm the interests of the Group and the common interests of its shareholders, such as by requiring approval of the Board of Directors of competitive transactions and transactions with a conflict of interest.
- (7) The Holding Company and Group insurance companies shall establish a system that ensures the compliance with the arm's length rule and the proprieties of other transactions within the Group etc. in line with the Basic Policy on Internal Group Transactions and Business Alliances instituted by the Holding Company.
- (8) The Holding Company and domestic Group insurance companies shall establish a system to manage conflicts of interest based on the Group's Basic Policy for Management of Conflicts of Interest instituted by the Holding Company.
- (9) The Holding Company and Group companies shall establish a system to manage outsourcing based on the Group's Basic Policy for Management of Outsourcing instituted by the Holding Company.
- (10) The Holding Company and Group companies shall establish the Speak Up System (whistleblowing system), which shall enable all officers and employees, etc. to directly provide information to internal and external contact points regarding violations of laws and regulations, violations of internal company rules and regulations, inappropriate conduct, or risks of any of the aforementioned occurring, both at the organizational level and individual level, and shall strive to make all officers and employees aware of the system. In addition, the Holding Company shall institute rules for the operation of the Group's Speak Up System and thereby establish that there shall be no unfavorable treatment of whistleblowers as a result of having provided information. In addition, the Board of Directors shall be reported on the status of the operation of the system.
- (11) The Holding Company shall not encourage, approve nor instruct the Group companies or their officers and employees to engage in conduct that violates the law.

4. Enterprise Risk Management System (Provisions for Managing Risk of Loss of the Holding Company and its Subsidiaries and Other Systems)

- (1) The Holding Company and Group companies shall conduct appropriate risk management by sharing a basic approach and also instituting risk management policies for each company, appropriate to the conditions of each company, in line with the Group's Risk Management Basic Policy instituted by the Holding Company.
- (2) To have a full and complete understanding of the various types of risk present within the Group and to comprehensively carry out appropriate risk management, the Holding Company shall create business units and systems such as a Risk Management Department for these purposes. A ERM Committee shall also be established, and necessary measures shall be instituted to avoid and reduce risk based on the findings of this committee (including the confirmation results from comprehensive risk management (quantitative)).
- (3) The Holding Company shall monitor risk and the status of risk management for the Group as a whole, shall evaluate comprehensive risk for the entire Group on a quantitative basis and shall confirm that the capital needed for the Group as a whole is assured. The Board of Directors shall be reported on the status of these initiatives, in consideration of the results of consultation and coordination by the ERM Committee.
- (4) The Holding Company shall establish the Crisis Management System and the Business Continuity Management System for the Group as a whole in accordance with the Crisis Management Manual and the Recovery Plan, instituted by the Holding Company to fulfill corporate social responsibility and our responsibilities to stakeholders, and also establish the necessary systems to minimize damages caused by crisis.

5. System for Assuring the Reliability of Financial Reporting

- (1) When selecting candidates to serve as Audit & Supervisory Board Members, the Holding Company shall appoint at least one person as Audit & Supervisory Board Member who possesses the necessary knowledge regarding accounting and financial matters.
- (2) The Holding Company and Group companies shall establish a system for the timely and proper reporting of financial information and other disclosures of information, pertaining to the Group, based on the Group's Basic Policy for Controlling Disclosure of Information instituted by the Holding Company.
- (3) In order to provide accurate and clear reporting of the business results and financial condition of the Holding Company and its consolidated subsidiaries, consistent with corporate accounting standards generally accepted as fair and appropriate, the Holding Company shall institute accounting rules and prescribe the important matters pertaining to accounting administration.
- (4) In order to ensure the fair disclosure of information, the Holding Company shall institute controls pertaining to the disclosure of information and procedural rules and take measures

to evaluate and improve the effectiveness of these controls, and the ERM Committee shall check the propriety of information disclosure.

- (5) In accordance with the Financial Instruments and Exchange Act, the Holding Company, through the ERM Committee, shall check the results from evaluations of the establishment and the function of “Internal Controls over Financial Reporting” implemented in its consolidated subsidiaries.
- (6) The Board of Directors of the Holding Company shall be reported the findings from investigations done by the ERM Committee pertaining to the effectiveness of controls on the disclosure of information and the propriety of information disclosure at the Holding Company and its consolidated subsidiaries.

6. System for Assuring the Effectiveness of Internal Audit

- (1) The Holding Company and domestic Group insurance companies shall maintain a system for internal auditing covering the business activities of the entire Group based on the Group’s Internal Audit Basic Policy instituted by the Holding Company to conduct internal auditing that is effective and efficient.
- (2) Each of the Holding Company and domestic Group insurance companies shall establish an independent organization dedicated to focus exclusively on internal auditing and shall formulate internal audit rules that prescribe the basic matters pertaining to internal audit and an internal audit plan based on the types and degrees of risk.
- (3) The Holding Company’s internal auditing department shall make reports to the Holding Company’s Board of Directors of important matters from the findings of internal auditing conducted at the Holding Company and the domestic Group insurance companies along with the status of improvements at the business units subject to audits.

7. System for Management of Information (System for Management and Retention of Information Pertaining to Execution of Duties by Directors.)

- (1) The Holding Company shall institute Corporate Information Management Regulations and shall properly retain and manage the documentations (which means important documentations such as the minutes of the Board of Directors and approval documentations, including electronic data) as well as other company information, pertaining to execution of duties by Directors and Executive Officers. In addition, the Holding Company’s Directors and Audit & Supervisory Board Members must be able to have unrestricted access at all times to such information.
- (2) The Holding Company and Group companies shall establish a system to ensure the proper handling and secure management of personal information (customer information) based on the Group’s Basic Policy for Management of Customer Information instituted by the Holding Company.

8. System for Assuring the Effectiveness of Auditing by Audit & Supervisory Board

(1) System Pertaining to Employees Assisting with the Duties of Audit & Supervisory Board Member, as well as assuring independence of such employees and the effectiveness of instructions to such employees

- (i) To support the duties of Audit & Supervisory Board Members, the Holding Company has an Office of Audit & Supervisory Board with full-time employees.
- (ii) The Holding Company's Directors shall respect the independence of the Office of Audit & Supervisory Board. Organizational changes in the Office of Audit & Supervisory Board as well as transfer or discharge of the employees described above only takes effect upon reaching a consensus at an Audit & Supervisory Board meeting. Employee evaluation also takes place upon consultation with the Audit & Supervisory Board Member assigned by Audit & Supervisory Board.

(2) System for Reporting to Audit & Supervisory Board Members

- (i) If becoming aware of any serious violations of applicable law or the Articles of Incorporation, inappropriate conduct or those facts that pose a serious risk of harm to the Company, the Holding Company's Directors and Executive Officers shall promptly report such to the Audit & Supervisory Board Members.
- (ii) The Holding Company's Directors and Executive Officers shall make timely reports to the Audit & Supervisory Board Members of any decisions that will significantly affect businesses or organizational structures, the findings of internal audits, the status of whistleblowing and other matters to be reported to the Audit & Supervisory Board Members, in accordance with the process instituted in consultation with the Audit & Supervisory Board Members.
- (iii) Officers and employees, etc. of the Holding Company and the Group companies may also make direct reports to the Audit & Supervisory Board Members of the Holding Company of any matters regarding violations of laws and regulations, violations of internal company rules and regulations, inappropriate conduct, or risks of any of the aforementioned occurring, that pose a serious risk of harm to the Company.
- (iv) The Holding Company and the Group companies shall not subject persons making reports as described in items (i) to (iii) above to any unfavorable treatment for the reason that they have made such reports.

(3) Other Matters

- (i) The Holding Company shall clearly state in the relevant rules etc. that, in addition to the Board of Directors, Audit & Supervisory Board Members may also attend meetings of the Group Management Committee and other important meetings.
- (ii) The Holding Company's Chairperson of the Board, Vice Chairman of the Board, President and Representative Directors shall regularly exchange opinions with the Audit & Supervisory Board pertaining to issues that must be addressed by the Holding Company, the environment for auditing by Audit & Supervisory Board, important auditing issues, and other matters.

- (iii) When requested by an Audit & Supervisory Board Member, the Holding Company's internal auditing department shall cooperate with the auditing work being undertaken by the Audit & Supervisory Board Member.
- (iv) When requested by Audit & Supervisory Board for advance payment or indemnification etc. of expenses under the Article 388 of the Companies Act with respect to the execution of their duties, the Holding Company shall conduct the appropriate procedures in accordance with the Article 388 of the Companies Act.

End

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