

MS&AD's Story of Value Creation and its Practice

Realizing “a resilient and sustainable society”



December 20, 2019

I. Progress of Sustainability Initiatives in “Vision 2021”

- **MS&AD’s Strategic Approach for Sustainability**
- **Quality Improvement and Management Platform Enhancement**
- **Progress of CSV Initiatives**
- **In pursuits of realizing CSV**

II. Initiatives for Corporate Governance



I . PROGRESS OF SUSTAINABILITY INITIATIVES IN “Vision 2021”

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MS&AD Insurance Group Holdings, Inc.

MS&AD's Story of Value Creation



Image of Society in 2030

Resilient and Sustainable Society

Social Issues

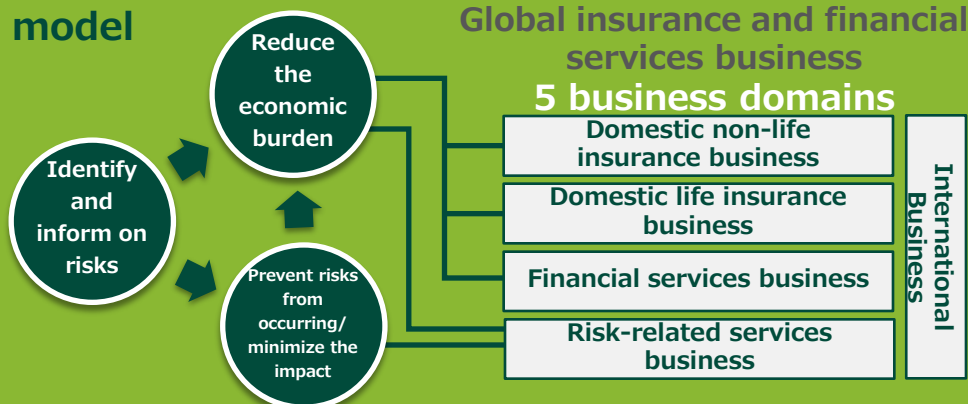
Diverse risks surrounding Society

Stability in People's lives

Dynamic business activities

Provision of safety and peace of mind

MS&AD's business model



Creating shared value

- Deal with new risks
- Create a safer mobility society
- Strive for resilient community development
- Support “good health and longevity”
- Contribute to climate change mitigation and adaptation
- Strive to improve sustainability of natural capital
- Work toward the realization of “leaving no one behind”



Quality that earns the trust of society

- Earn the trust of society with high quality
- Sincere, fair and just business activities
- Activities and dialog that respect human rights
- Continue efforts to reduce the burden on the environment
- Investment activities that conform to PRI (Principles for Responsible Investment)



Management platforms that enable employees to play active roles



- Promotion of diversity & inclusion
- Encourage employees to learn and think by themselves, take on challenges and continue to grow
- Health and productivity management
- Highly transparent and effective corporate governance



Our Sustainability Approach

Strategic Approach for Sustainability

- The MS&AD Insurance Group considers sustainable issues, such as environmental, social and corporate governance (ESG) factors associated with all of our business transactions, including the development of products and services, underwriting as well as investment.
- In the Group's Medium-term Management Plan "Vision 2021", we have accelerated major initiatives focusing on three areas which are climate change, natural capital and human rights in line with SDGs as our leading marks. We realize particularly climate change impacting on meteorological disasters and ecosystems as critical risk.
As a signatory to Paris Pledges for Action, we commit to support development of technologies and measures to mitigate climate change risk.
- We, an insurance and financial services group offering safety and peace of mind, see the value of dialogue with stakeholder that we strive to create shared value through deepening mutual understanding of the sustainability issues.

	Theme	Indicators	FY2017 Results	FY2018 Results	Group Targets for FY2019 Onward
Quality that earns the trust of society 	Quality improvement	Customer satisfaction survey about insurance contract procedures	95.2%	97.1%	Equal to or greater than the previous year
		Customer satisfaction survey about payment of insurance claims	96.3%	96.6%	Equal to or greater than the previous year
	Reduction of environmental burden	CO ₂ emission reduction rate Reduction rates from the base year(FY 2009)	-6.8%	-13.3%	Reduce CO ₂ emissions by 30% by 2020 and by 70% by 2050 versus the base year (FY2009)
		Total energy consumption ✓ () versus base year	1,017,853 GJ (-28.1%)	987,452 GJ (-30.3%)	
		Paper consumption	11,085t	10,545t	Improvement compared to the previous year
Management platforms that enable employees to play active roles 	Diversity & inclusion	Percentage of female managers in Japan ✓ () consolidated including overseas	9.9% (15.7%)	12.4% (18.1%)	15.0% (FY2020)
		Employee satisfaction “play active roles”	4.3 points	4.3 points	Equal to or greater than the previous year
		Number and ratio of global employees ✓	9,184 people (22.2%)	8,958 people (21.6%)	Key monitoring indicators other than sustainability KPIs
		Ratio of employees with disabilities ✓	2.37%	2.37%	
	Health management	Employee satisfaction “Pride, job satisfaction”	4.4 points	4.4 points	Equal to or greater than the previous year
		Number of annual paid holidays taken	16.0 days	15.6 days*	Equal to or greater than the previous year
		Ratio of taking fully paid paternity leave	58.0%	63.9%	Equal to or greater than the previous year
		Number of employees participating in social contribution activities	20,022 people	23,601 people	Equal to or greater than the previous year

✓ The FY2018 figures have been assured by KPMG AZSA Sustainability.

* Impact of responding to large-scale natural catastrophes

Implementing Activities and Dialog that Respect Human Rights

MS&AD Insurance Group Basic Policy on Human Rights (Established, Feb 2017)

The MS&AD Insurance Group is committed to enhancing the enterprise value and contributing to the creation of a sustainable and resilient society through behavior that takes into account interaction with the environment and society in all business activities, with the aim of realizing Our Mission.

We recognize our responsibility for the actual and potential adverse impact our business activities have on human rights, including the impact of value chain, and we have pursued activities and dialogues that respect human rights.

1. Basic Approach
2. Human Rights Due Diligence
3. Responsibilities as a Global Insurance and Financial Services Provider

Activities and Initiatives

- Statement on the UK Modern Slavery Act 2015
- Education about Human Rights
- Consultation Service Desk (Speak-up System)
- Human Rights Due Diligence

We set up an Internal Reporting (Whistleblowing) System that enables employees at each Group company to report on compliance-related matters, etc. We have opened contact desks both inside and outside the company and work to maintain the confidentiality of and protect whistleblowers and those making inquiries. We also changed the name to the Speak-up System to create an environment that enables employees to speak up in an honest, positive manner. On April 10, 2019, this system was registered in the Consumer Affairs Agency "Whistleblowing Compliance Management System (self-declaration of conformity-type certification system)."³

3. A system whereby the whistleblowing system is assessed by the system's operator, who then applies for certification when the system is deemed to have complied with the certification criteria. The designated registration body at the Consumer Affairs Agency then verifies the details based on this application and registers the result.



Health and Productivity Management

Our Group provides venues for diverse personnel with a wide range of values to work together by creating health- and safety-conscious workplace environments to maintain and improve the physical and mental health of all employees and also pursuing work style reform that will increase productivity while making their workplaces more comfortable and their work more satisfying.

Maintaining and Improving Employee Health

- Support to improve health
- Improving health literacy
- Mental health care

Work Style Reform

- Prevention of long working hours
- Encouragement of paid leave
- Diversification of work locations/hours



Health Management app

Such initiatives
received high praise

Health and Productivity
Management 2019



Diversity and Inclusion

Women in directors position

Group-wide

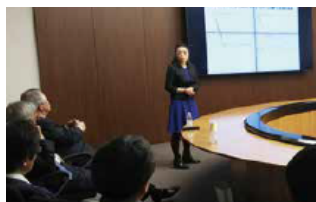
In May 2019, the Group CEO joined 30% Club Japan, which is the Japanese chapter of a global campaign aimed at producing female officers. For MS&AD, the percentage of female members of the Board of Directors including Audit & Supervisory Board Members is 25% as of October 2019, and a goal of 30% or more by FY2025 was set. MS&AD is engaged in the development of the system to continuously cultivate female director candidates by establishing a Groupwide network of female general managers, holding seminars by internal and external instructors, and assigning Directors as mentors within the Group and appointing women as part-time directors of affiliated companies.



Changing mind set of management team

Group-wide

Diversity & Inclusion training for the company's executives of the Group was carried out in April 2019 to provide a deeper understanding of unconscious bias. Furthermore, as an initiative to change mind-set of those in management-level positions, management training and e-Learning on understanding unconscious bias and methods to proactively recognize and control one's own bias are also being carried out.



What is "unconscious bias"?

Examples include thinking "men take the lead and women support them," "I would feel bad putting a woman in charge of duties with great responsibility," and "women with small children cannot go on business trips" and refer to making assumptions based on factors such as age and gender.

External Evaluation and Rewards

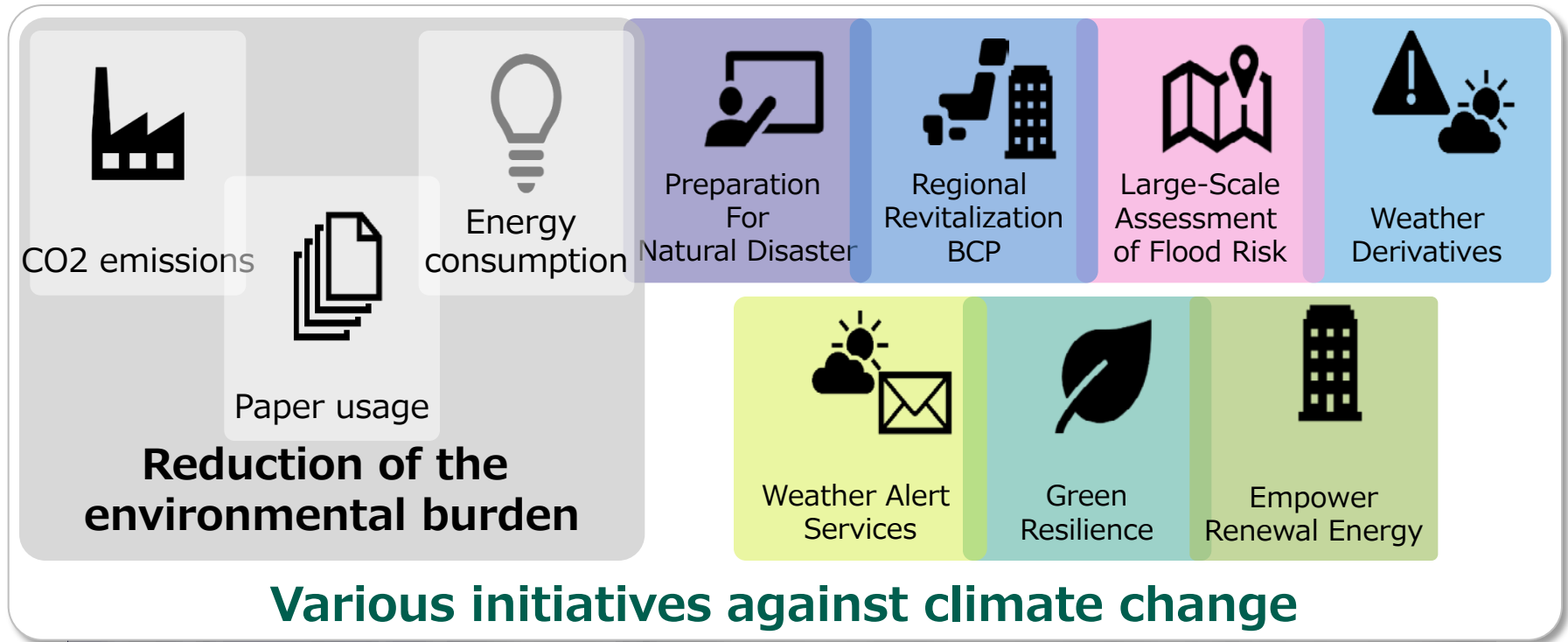


CSV Activities for Sustainable Growth



Creating Shared Value with Society (CSV Initiatives)		Economic Impact on the Company	Impact on Society	<div>Image of society in 2030</div> <div>Resilient and sustainable society</div>
Deal with new risks	Products to address cyber risk <div>MSI ADI</div>	FY2017-FY2018 Policy growth rate +9.0% YoY	Companies/organizations protected against cyber risks Approx. 9,700	
Create a safer mobility society	Support safer driving with telematics <div>MSI ADI</div>	No. of corporate customers Approx. 1,400	Reduction rate of claims paid for said corporate customers 36.5%	
Strive for resilient community development	Earthquake insurance <div>MSI ADI</div>	No. of policies in FY2018 Approx. 3,363K	Our share of new policies in FY2018 36.1%	
Support “good health and longevity”	Coverage for various cancer treatments <div>MSI Aioi Life</div>	No. of new policies in FY2018 Approx. 213K	No. of attendants of our life/medical information seminars 14,147	
Contribute to climate change mitigation and adaptation	Coverage for Mega-Solar Power Generation <div>MSI ADI</div>	No. of new policies in FY2018 Approx. 4,600	Reduced CO2 emissions by our Mega-Solar clients More than 1,690K tons	
Strive to improve the sustainability of natural capital	Simplified evaluations of water-related risks <div>InterRisk</div>	No. of evaluated facilities 244	Ratio of facilities where water shortage risks are high 40.7%	
Work toward the realization of “leaving no one behind”	Dementia “Kobe Model” <div>MSI</div>	Premium income three-year total (estimate) Approx. ¥390mn	No. of Kobe residents applied for dementia screening 8,598	

Climate change mitigation and adaptation

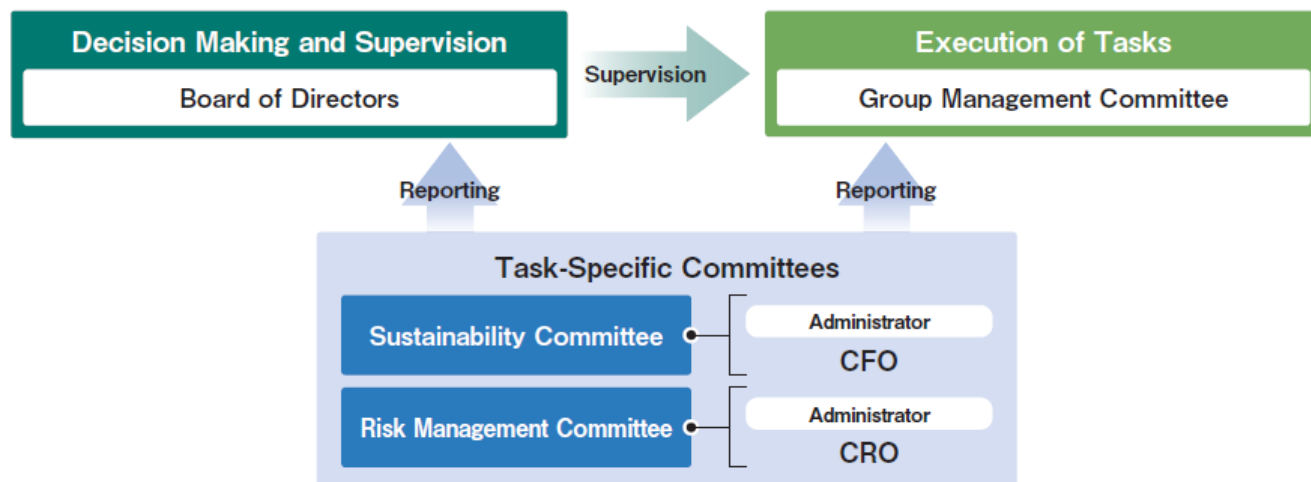


Considering sustainable issues, such as ESG factors associated with all of our business transactions

Climate-Related Financial Disclosure(TCFD)

■ Governance: Climate-related internal controls

The CFO, CRO, Sustainability Committee, Risk Management Committee and others report on climate-related matters to the Board of Directors, which then discusses and determines the major strategies of the Group.



■ Strategy: climate-related risks and opportunities

- Risks

- Strengthening natural catastrophe risk management, controlling the retained amount of natural catastrophe risk and reducing the risk of profit fluctuations

- Opportunities

- Development and provision of risk solutions for companies to prepare for worsening meteorological catastrophes
- Development and provision of risk solutions for new businesses aimed at a carbon-free society

■ Research

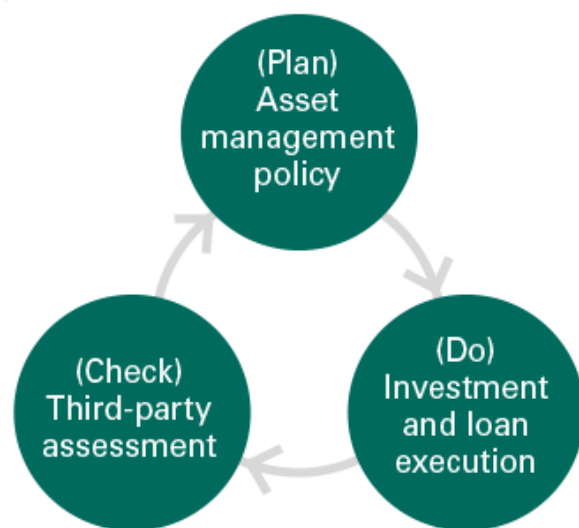
- Currently participating in the UNEP FI Insurance TCFD Project, and performing analysis and development of scenarios

ESG-based investments and loans

Basic Strategy

As a signatory to the Principles for Responsible Investment (PRI) in 2015, the MS&AD Insurance Group takes ESG issues into account for investment and loan transactions. Our company, as an asset owner, promotes ESG-thematic investment on the basis of profitability. MSI and ADI declared their acceptance of Japan's Stewardship Code, and have since engaged in constructive dialogue about ESG with the companies in which they have invested.

Operating Scheme



【sample ESG investment methodologies as by our company】

ESG investment methodologies		Description
ESG-thematic investment		Profitability-oriented investment in assets, etc., connected with the resolution of social issues
	Impact investment	Investment methodology in which investment decisions are dually aimed at obtaining investment returns and creating social impacts (structural changes in society, etc.)
	Other ESG-thematic investment	Thematic investment not included in impact investment
ESG integration		Systematic integration of ESG factors into company analysis and evaluation
	Integration into research	Systematic integration of ESG factors into the investment process
	Positive screening	Construction of a portfolio of companies with high ESG ratings, etc.
	Negative screening	Construction of a framework that excludes certain loan purposes, industry sectors, etc., from the portfolio
	ESG dialogue (engagement)	Dialogue and communication on ESG topics

- Investment in green bonds (¥4.0 billion)
- Investment in Japanese ESG stock funds(¥5.5 billion)
- Renewable energy-related investments (¥5.0 billion)
- Investment in social bonds (¥1.0 billion)
- Investment in African Development Bank's Industrialize Africa bond (¥2.6 billion)

【Actual examples of ESG investments】

(Above are from Individual cases by Mitsui Sumitomo, Aioi Nisay Dowa and MS Aioi Life)

Expanding ESG integration

Challenges in ESG Investments and loans

1. Formulation of ESG investment policy and guideline

- Formulation of ESG investment policy and guideline on individual themes such as “climate change” and “natural capital”

2. Strengthening of ESG investment system

- Enhancing of system on ESG integration and strengthening engagement (improvement of screening and dialogue, establishment of infrastructure, etc.)
- Strengthening to utilize ESG information by building relationships with NGO or gathering from external resources (expertise, network)

On-going initiatives

1. Aligning with all business activities including underwriting, investing for sustainability

Considering sustainable issue in all business activities such as underwriting, investment and financing etc.

2. Expansion of impact investment

Development of a system to measure the impact of all assets including green bonds

3. Enhancement of ESG investment and loans

Promoting a Group-wide project to improve the level of integration and engagement activities, ERM initiatives and to enhance disclosure as priority issues

4. Enhancement of engagement quality

Implementation of “constructive dialogue” with portfolio companies based on management issues, shareholder return policies and non-financial information including ESG to pursue increasing in corporate value and sustainable growth from a medium- to long-term perspective.

Sustainability Contest for deeper understanding of CSV

Groupwide

MS&AD Insurance Group

“SusCon”

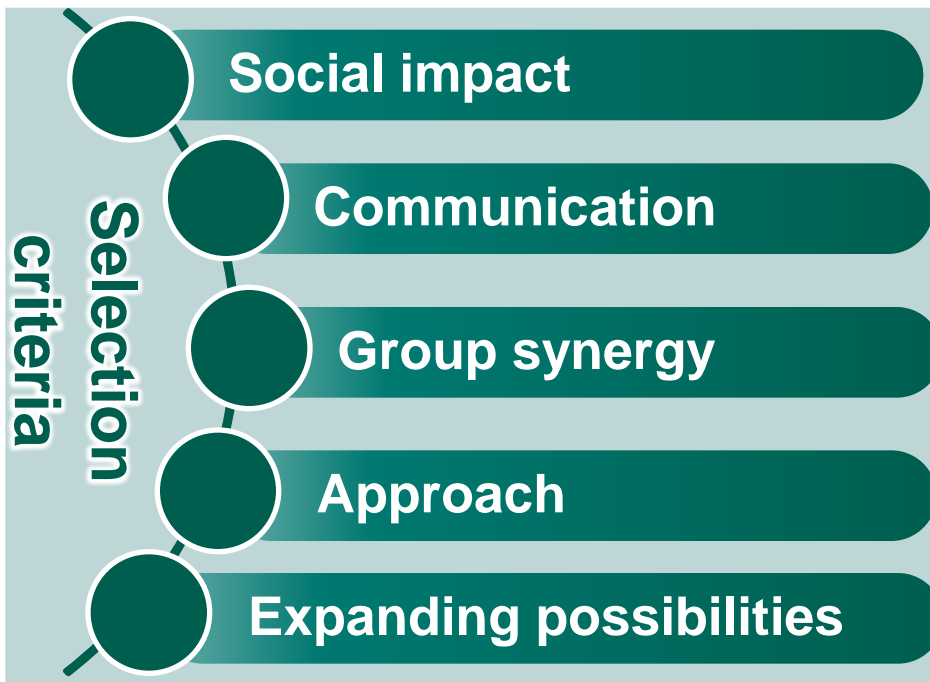
Sustainability Contest 2019

Calling for examples of initiatives that will lead to (assist) sustainability of the Group and society. Accepting proposals for new operations and businesses.

- Eligible participants: All employees of the MS&AD Group

SDGs are leading marks

SUSTAINABLE
DEVELOPMENT
GOALS

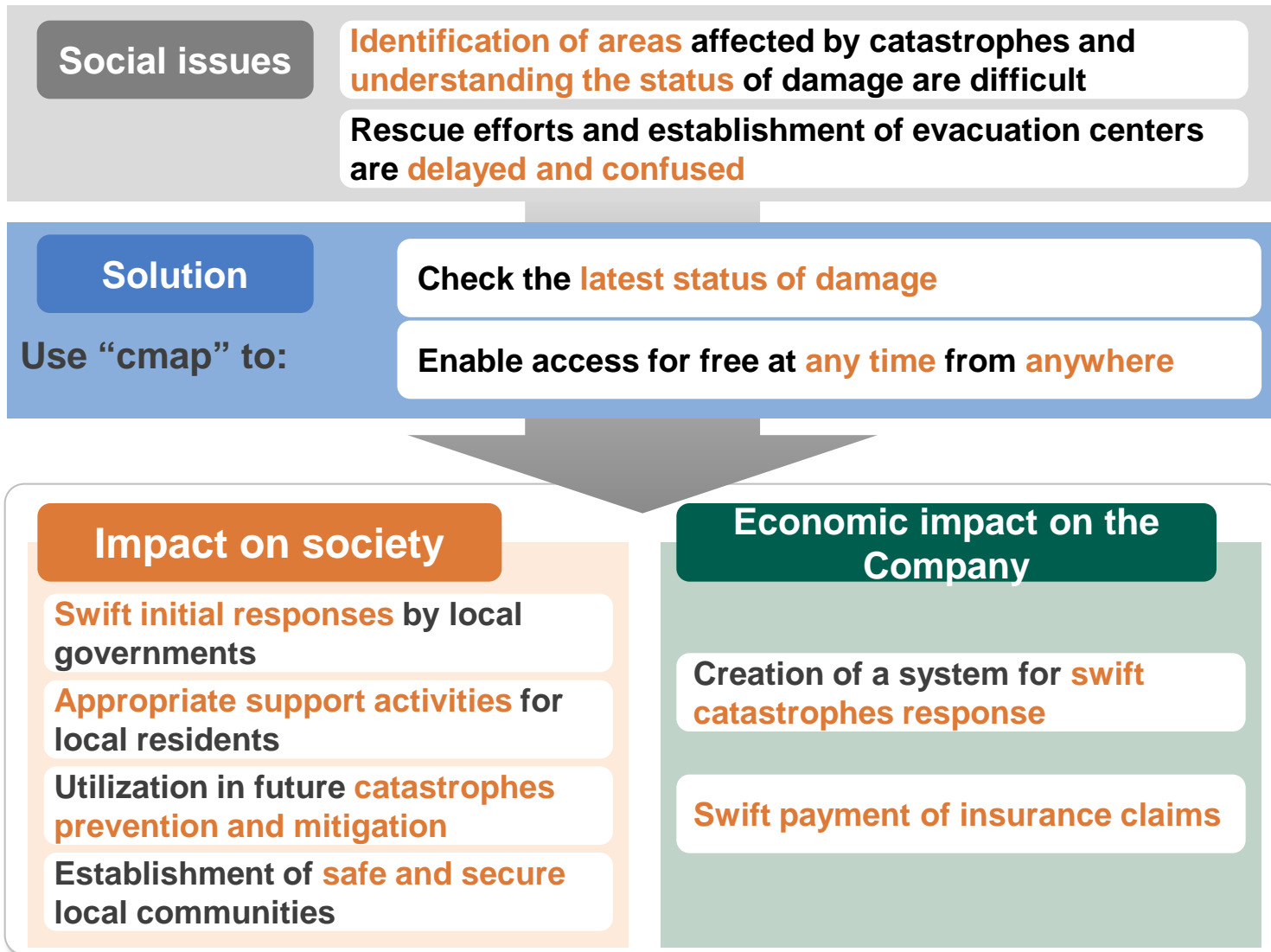


Applications: **309**
(22 from overseas)

Awards for excellence: **7 groups**

Winners: **2 groups**

Case 1: Real time weather map and damage forecaster “cmap.dev”



Contribution to SDGs



Case 2: Fire Insurance for Special Housing for Indigenous Malaysians

Social issues

Although Malaysia is undergoing rapid economic growth, resolution of **poverty of the indigenous population** and **improvement of living conditions** have been delayed

Solution

Participation as a **volunteer** in the construction program being promoted by EPIC Homes

Development of fire insurance for housing, and packaging of **compensation for support schemes**

Impact on society

Improvement of living conditions and improvement of financial literacy of the indigenous population

Provision of peace of mind to sponsors

Improvement of sustainability of communities

Economic impact on the Company

Development of insurance products and services contributing to the resolution of social issues

Application to resolution of other social issues

Raising awareness of sustainability among employees

Contribution to SDGs

1 NO POVERTY



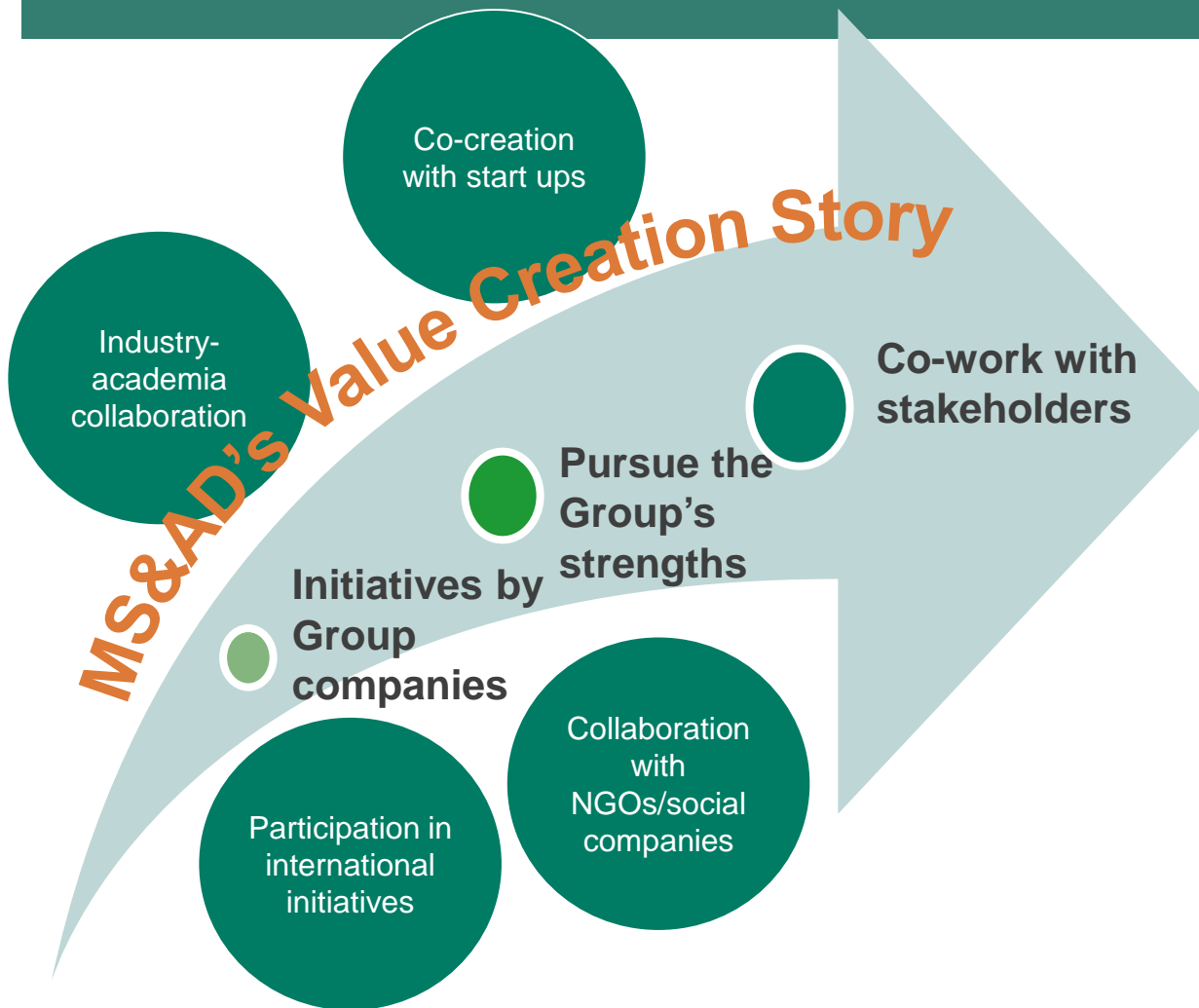
11 SUSTAINABLE CITIES AND COMMUNITIES



Collaboration with Various Partners Realizing CSV

Group 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

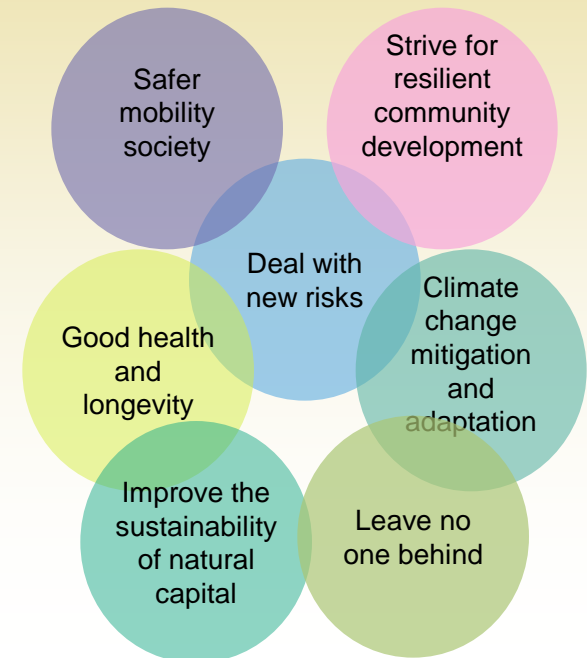


Society to realize by 2030

Resilient and sustainable society

MS&AD's role

Examples of initiatives to address seven key issues



Participation in International Initiatives



Network Japan
WE SUPPORT

UN Global Compact

Joined in 2004. Also 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.



UNEP
FINANCE
INITIATIVE



PSI
Principles
for Sustainable
Insurance



UNEP FI (United Nations Environment Programme Financial Initiative)

Signatory to Principles for Sustainable Insurance

Signatory to Principles for Responsible Investment



Japan Business Initiative for Biodiversity

Launched when the first “The Story of Biology Told by Companies” symposium was held in 2007. (Chaired by Mitsui Sumitomo Insurance at the time and MS&AD at present)

- Working group format to engage in themes such as supply chain, land use, and communication of information





**NATURAL CAPITAL
FINANCE ALLIANCE**
Finance sector leadership on natural capital

Signed the Natural Capital Declaration and participated in the NCFA in 2016

- Developed risk assessment methods by referring to the latest research on natural capital assessment



<p>CDP's Climate A List</p> 	<p>Dow Jones Sustainability Indices (World/Asia Pacific)</p> <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	<p>FTSE Blossom Japan Index</p>  <p>FTSE Blossom Japan</p>
<p>FTSE4Good Index Series</p>  <p>FTSE4Good</p>	<p>MSCI Japan ESG Select Leaders Index*</p> 	<p>MSCI Japan Empowering Women Index (WIN)*</p> 
<p>S&P/JPX Carbon Efficient Index</p> 	<p>ECPI Indices</p> 	<p>STOXX Global ESG Leaders Index</p> 

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(as of July 1st, 2019)



II. Initiatives for Corporate Governance

Shiro Fujii
Vice President and Group CFO

Kazuhito Ikeo
Outside Director (Independent Director)

MS&AD Insurance Group Holdings, Inc.

Major Initiatives in FY 2018 and FY 2019

Review and improvement of operation of Board of Directors

- Evaluate effectiveness of the Board of Directors
- Review of rules on matters to be discussed

Introduction of CEO Succession Plan

- Criteria and process of election and dismissal
- Development plan for an expected successor

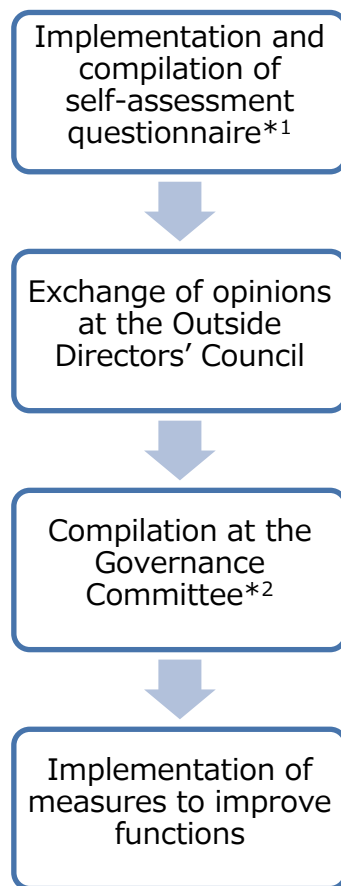
Revision of the system for Remuneration

- Review of ratio of fixed compensation and performance-linked compensation
- Introduction of key performance indicators for medium- to long-term and short-term performance evaluation criteria

Main matters discussed in the Board of Directors

- **Progress and future direction of the medium-term management plan**
- **Sharing awareness of medium-term issues**
- **Discussion on investments (Mainly for overseas initiatives)**
 - Strengthen alliance with Challenger
 - Subsidiary acquisition of Sinarmas MSIG Life
 - Expansion for investment limit of MS&AD Ventures
- **IR activities and share price trends**

Process



*1 Implemented by distributing questionnaires (on nine items) in advance and having the Secretariat hold interviews.

*2 Composed of all Outside Directors, the Chairman of the Board and the President & CEO

Outline of evaluation

	Improvement	Points to be improved
Discussions at Board of Directors' meetings and exercise of functions	<ul style="list-style-type: none"> Projects involving risk-taking, including overseas investments, are now subject to achieve discussion with an in-depth examination of each individual project. Deepened the understanding within the Group of "MS&AD's Story of Value Creation," which is the Group's business model, CSV and the SDGs. MS&AD Integrated Report 2018 disseminated "MS&AD's Story of Value Creation," which further embodies our Corporate Philosophy (Mission). This move led to a deeper understanding within the Group and improved evaluation from outside the Group. The name of our whistleblowing system was changed to the "Speak-up System," and the acceptance of anonymous reports was expanded. As a results, the number of reports increased and efficiency has improved. 	<ul style="list-style-type: none"> Deepen the understanding of and further accelerate thorough debate among the outside directors regarding the important themes (Sustainability, Digitalization, Promotion of Diversity & Inclusion) and the business strategies in "Vision 2021," etc. Work to further increase awareness among employees through various methods to deepen the understanding among all Group employees the initiatives for putting the Story of Value Creation into practice to CSV and the SDGs. Strengthen information dissemination to further increase awareness and enhance the effectiveness of the Speak-up System, mainly through the "Speak-up Section".
Operation of the Board of Directors	<ul style="list-style-type: none"> Reduced the number of agenda items and established an approach that provides more time for discussions about important matters to determine strategies. Efficient meeting operation has increased the average amount of time spent each year discussing each agenda item at regularly scheduled meeting. 	<ul style="list-style-type: none"> Expand opportunities for deliberation and the exchange of opinions at every meeting of the Board of Directors, etc. Therefore, the length of meetings will be extended beyond that of those held in FY2018.
Other	<ul style="list-style-type: none"> Operating company study tours were continued from FY 2017, including an inspection of the Disaster Countermeasures Headquarters, which focuses on payments of insurance claims for natural disasters. 	—



Introduction of the CEO Succession Plan

Introduced the CEO Succession Plan, positioned succession planning and dismissal process as important issues of the Group for its sustainable growth and improvement of corporate value.

CEO Succession Progress

Recommendation by
The current CEO

- The current CEO prioritizes the candidates and recommends them to the Nomination Committee

Deliberation by the
Nomination Committee

- The majority of Committee members and the chairman are Outside Directors.
- Outside Directors can recommend other candidates.

Resolution by
the Board of Directors

- The Nomination Committee advises the Board of Directors, which makes the final decision.

Criteria of CEO Selection

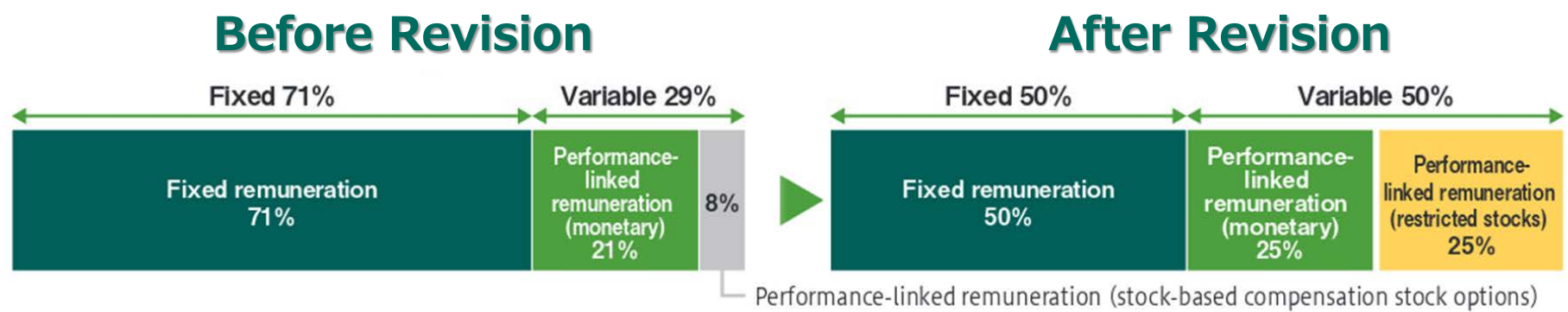
- Ability to embody Group's Mission, Vision and Values and having the concept of CSV (Creating Shared Value with society) in his/her own system of values
- Ability to plan and build future visions
- Fairness and impartiality
- Ability to develop human assets
- Ability to demonstrate leadership
- Global response capability
- Acting in the Group's best interests

CEO Dismissal Progress

- When an Outside Director deems it necessary to discuss dismissal, such as when the CEO is subject to the prohibitions stipulated in the Executive Officers Rules (violating obligations set forth in the Companies Act and other laws and regulations or company regulations, etc.) or when it is determined that it is difficult for the CEO to properly continue his/her duties to health reasons or other reasons, the Outside Director shall deliberate on his/her own initiative with members of the Nomination Committee excluding the CEO. Based on the results of the deliberation, necessary procedures are carried out in accordance with the Companies Act and internal regulations
- Directors who are not Outside Directors may request a meeting of the Board of Directors to be convened in accordance with the Rules of the Board of Directors and submit proposals of dismissal of Directors at the Shareholders Meeting.

Increased the ratio of performance-linked portion and set the KPI on the progress of “Sustainability Priority Initiatives” as a medium to long term target

Breakdown of remuneration (Chairman/President & CEO)



Note : The breakdowns above are based on the results of the Company and the price of Company’s stock

Major Key Performance Indicators (KPIs)

Financial Indicators (single year)	Non-Financial Indicators (medium to long term)
<ul style="list-style-type: none">• Group Adjusted Profit• Consolidated Net Income• Group Adjusted ROE	<ul style="list-style-type: none">• Progress of initiatives (“Sustainability Priority Initiatives”) for Creating Shared Value (CSV)) with SDGs as leading remarks• Progress of “Key Strategies” of the Group’s medium-term management plan “Vision 2021” (Pursue the Group’s comprehensive strengths, promote digitalization, reform portfolio)

Strengthening Corporate Governance as the basement of the management of the MS&AD Group utilizing the diversity for the development of human resources to handle this

Role of Corporate Governance

=

Quality Control of
Management

Skillset balance within board members is important for management.



Diversified skill set of directors to utilize each specialties including 5 outside directors



*Items related to knowledge, experience, ability and others were set based on the employment history of and rationale for selecting each director. This chart plots the number of individuals that fall under each item.

MS&AD

MS&AD Insurance Group

Caution About Forward-Looking Statements

This presentation contains statements about future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings and MS&AD Group companies that constitute forward-looking statements. These statements are based on information currently available to the MS&AD Group. Investors are advised that actual results may differ substantially from those expressed or implied by forward-looking statements for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition in the insurance sector, (3) exchange-rate fluctuations, (4) changes in tax and other regulatory systems, etc.

Inquiries

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