

立ちどまらない保険。



MS&AD ESG Meeting

Towards a Resilient and Sustainable Society



December 18, 2020

Today's Program

MS&AD ESG Meeting

Part 1

15:00-15:20 MS&AD's Sustainability Initiatives

15:20-15:35 Climate Change Impact Assessment Service
(Collaboration with Jupiter)

15:35-15:50 Q&A

Part 2

Corporate Governance (Interview with Director Arima and CFO Higuchi)

15:50-16:40 Dialogue, Q&A, and Exchange of Opinions



I. MS&AD's Sustainability Initiatives

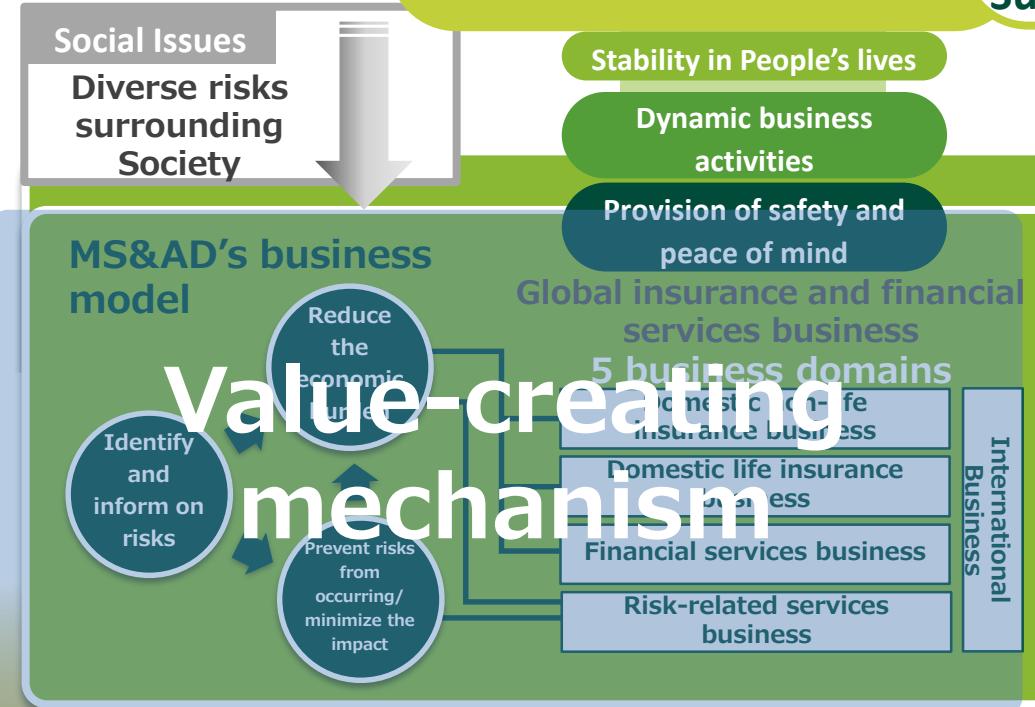
Tetsuji Higuchi
Representative Director, Senior Executive Officer, CFO
MS&AD Insurance Group Holdings, Inc.

Overview of Sustainability Initiatives



Image of Society in 2030

Resilient and Sustainable Society



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 "Leave no one behind"

Value-creating approach



Quality that earns the trust of society

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

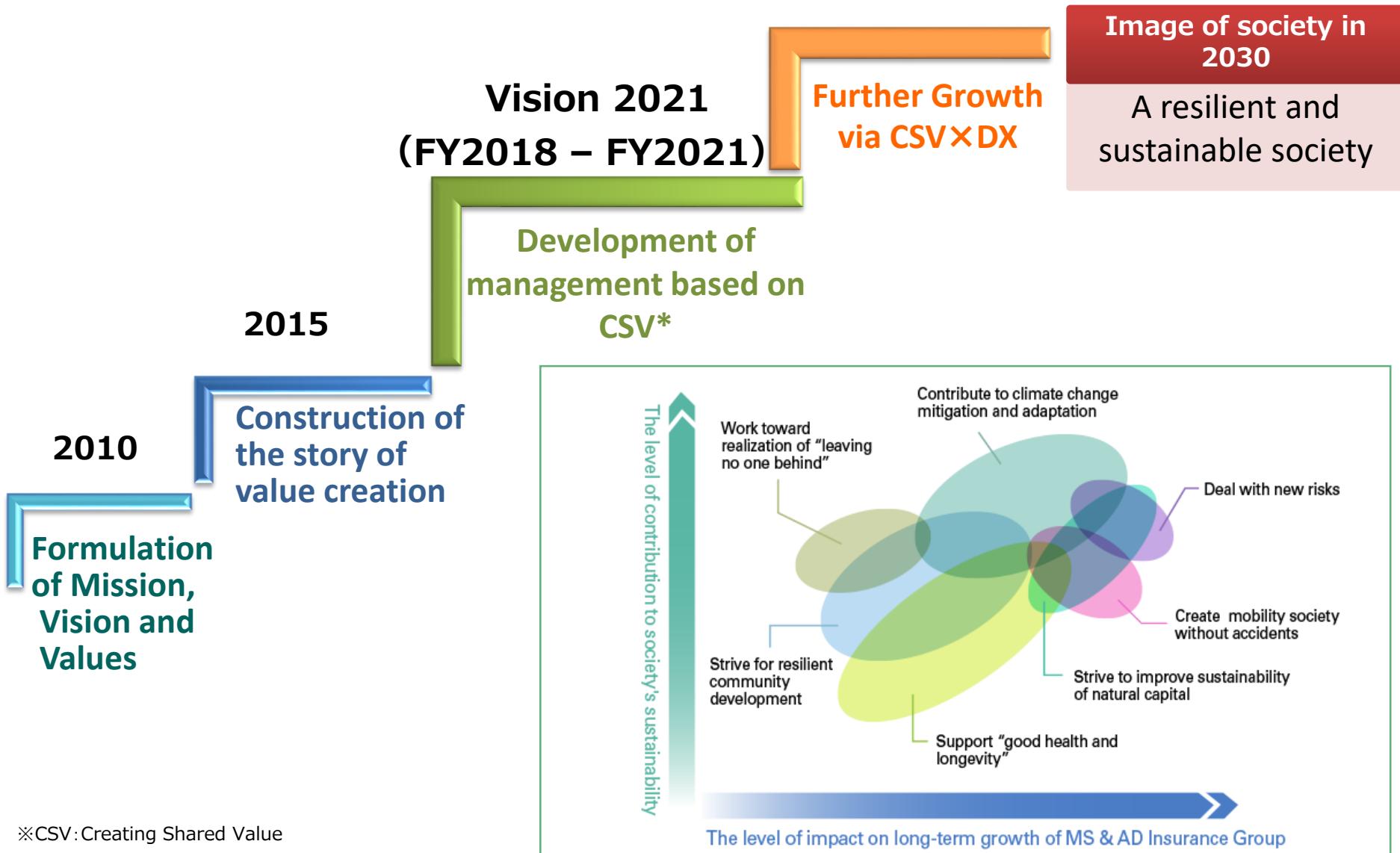


Management platforms that enable employees to play active roles

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



Management Based on Integrated Thinking



Creating Shared Value (CSV)



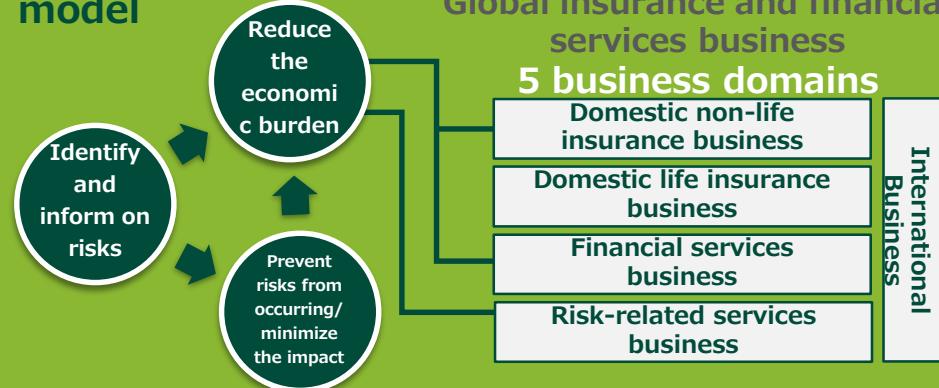
Image of Society in 2030

Resilient and Sustainable Society

Social Issues

Diverse risks surrounding Society

MS&AD's business model



Stability in People's lives

Dynamic business activities

Provision of safety and peace of mind

Creating shared value

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CSV Initiatives and Digital Transformation

CSV

X

DX

~In Japan, Asia and across the world~

Seven Key Issues For Resilient and Sustainable Society

Creating Shared Value

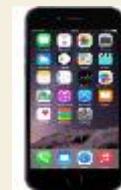
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Digital Technology



Big Data



AI



Mobile



RPA

Blockchain

CSV

X

DX

～In Japan, Asia and across the world～

Changing awareness of each employee

Sustainability Contest 2020

グループ社員4万人がCSVに取り組む

▶ サステナビリティコンテスト 2019



354 applications
(17 from outside Japan)

Digital Innovation Challenge Program 2019

Mobility



Electronics



Medical / Health



Cities/Spaces/Materials



Network Services



Energy

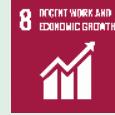


18 advanced digital technologies
building the future × Promising growth markets in 2025
(six areas)

Around 1,200 applications

Sustainability Contest 2020 Winners

- **354** applications from Japan and overseas
- The grand prize awarded to the initiative to solve problems in the livestock industry through a partnership of DX and startups.

Winning companies	Themes	Related SDGs
MSI	In conjunction with public agricultural mutual aid and cutting-edge IoT technologies, resolving longstanding issues facing the livestock industry	   8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS
ADI	Advanced accident investigation with "Image analysis forensics"	   3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Mitsui Direct General	Provision of "Effective web solicitation know-how"	   8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS
MSI Aioi Life	Corporate life insurance proposals through health management promotion activities to support the sustainable development of companies that will create tomorrow's Japan	   3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS
MSIG Thailand	Supporting the independent lives of persons with disabilities through the "Center for Sustainable Agriculture" program	   1 NO POVERTY 2 ZERO HUNGER 10 REDUCED INEQUALITIES
MS&AD InterRisk	Developing the world's most advanced climate risk assessment service for TCFD in partnership with U.S. startups	   11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS

Sustainability Contest 2020 Grand Prize

Social issue

- Deterioration of livestock farmers management due to the risk of cattle death
- Strict working environment for livestock farmers requiring cropping management every day of the year
- Livestock production relies on experience and intuition, resulting in a serious shortage of farmers
- Stabilization of public agricultural mutual aid, which is heavily burdened by the national treasury
- Harsh veterinarian work environment with calls at any time

Solutions

A collar-type sensor based on cutting-edge IoT technology to monitor the health of cattle is sold with insurance covering medical expenses for cattle.



Agricultural total output
approx. ¥9 tn

Cattle total output
approx. ¥3 tn



- Improving the management of livestock farmers and smart agriculture technology
- Expanding the market by solving social issues

Social impact

- Improving the management of livestock farmers
- Improving the working environment of livestock farmers
- Increase of new farmers with no experience through introduction of smart agriculture
- Reduction of the national treasury burden by improving the balance of public agricultural mutual aid
- Improving the working environment of veterinarians

Impact on MS&AD

- Access to livestock farmers through cooperation with public mutual aid, which has a subscription rate of 90%
- Insurance premium income 1.2 billion yen (Projected for the end of FY2025)



Progress of CSV Initiatives

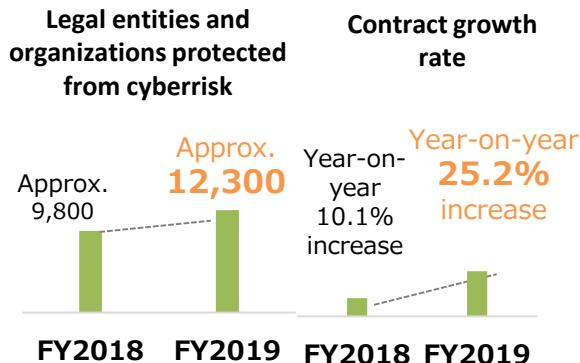
Resilient and Sustainable Society

Examples of CSV initiatives leading to solutions

Creation of business opportunities

Toward further growth

Cyber risk response products



Progress of digital society

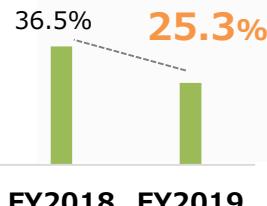
Increasing sophistication and complexity of cyber attacks
-> Working with external partners, developing multifaceted services

Addressing new risks

- Multifaceted cybersecurity
- Compensation for sharing business
- Telework compensation

Telematics-based safe driving support service

Rate of reduction in the amount of insurance to be paid by the company introducing the system *1



Number of enterprises *2



Secure next-generation mobility

Automated operation and connected operation
-> Emergence of new risks

Mobility society without accidents

- Dashcam auto insurance
- Telematics automobile insurance
- Safe driving support application
- Research and development of next-generation automobile insurance

*1 Comparison of insurance claims paid before and after the introduction of "Sasaeru NAVI"

*2 Number of companies introducing "Smart Navi" "F-Dora" and "Sasaeru NAVI (incl. Lite)"

Platforms Supporting Value Creation

Image of Society in 2030

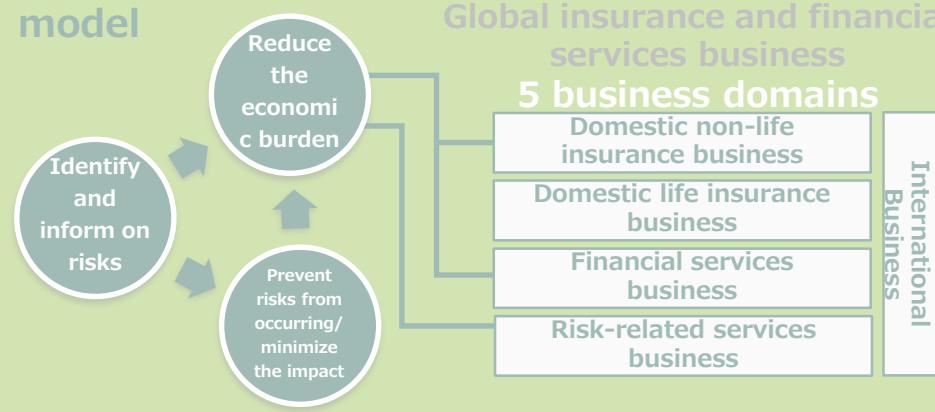
Resilient and Sustainable Society



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CSV × DX

acceleration



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- Health and productivity management
- Highly transparent and effective corporate governance



Business activities with consideration for sustainability

Activities of diverse human assets

Business Activities with Consideration for Sustainability



Climate Change Mitigation and adaptation

- We contribute to the realization of a decarbonized society by promoting the stable and sufficient supply and usage of renewable energy
- In principle we do not provide insurance underwriting, investments or loans for newly built coal-fired power plants



Natural Capital Improving sustainability

- We endeavor to conserve biodiversity to build a sustainable system between natural capital and business activities



Respecting human rights

- We conduct business activities that respect human rights
- We do not underwrite risks related to, nor make investments in manufacturers of cluster munitions that may cause indiscriminate mass killing.

Insurance underwriting

We consider issues and risks that could adversely impact society and the global environment, and provide products and services that respond to the demands of society.

Investments and loans

We consider ESG factors in pursuit of long-term investment returns and contribute to solutions for sustainability issues.

Underwriting with Consideration for Sustainability

We consider issues and risks that could adversely impact society and the global environment, and provide products and services that respond to the demands of society.

Sustainability Considerations in Underwriting

Considering challenges and risks that have a negative impact on society and the global environment

- Implementation of a process to confirm the impact on sustainability issues in advance

Providing products and services that respond to the demands of society

- Provision of products and services that support the development and utilization of advanced technologies that promote renewable energy businesses and reduce CO₂ emissions

Business activities with consideration for sustainability

In principle, no new insurance underwriting is provided for newly built coal-fired power plants and cluster munitions manufacturers

Risk-compensating products for the renewable energy business
(Mega Solar Comprehensive Compensation Plan)
Fiscal 2019:
approx. 7,100 contracts signed

ESG Investments and Loans

We consider ESG factors in pursuit of long-term investment returns and contribute to solutions for sustainability issues.

Strengthening ESG Investment and Loan Initiatives

Integration into the investment and loan process

- Building processes that take ESG elements into account

Sophistication of the dialogue

- Embedding ESG elements in conversations with portfolio companies and outsourcers

Expansion of impact investment*¹

- Activities on a Groupwide basis

ESG-Related Investment

Investment in assets, etc. with themes that lead to solutions to social issues, based on profitability

ESG Integration

Systematic integration of ESG elements into the investment process

Results of dialogue with investee companies*²

MSI: 194 + ADI: 153 = **347 companies**

New investments and loans in the first half of fiscal 2020:

9.5 billion yen

Balance of loans and investments:

422.1 billion yen

*1 (Social) Impact investment is an investment intended to generate a social and environmental impact in parallel with a monetary return.

Source: GSG National Advisory Committee

*2 July 2019 - June 2020

Climate Change Mitigation and Adaptation



**Business activities with
consideration for sustainability**

**Consideration for harmony between the environment and society
throughout all business activities**

*Increased due to changes in the name of the era and major product revisions

Diverse Human Assets: D&I

Activities

Association of Female General Managers

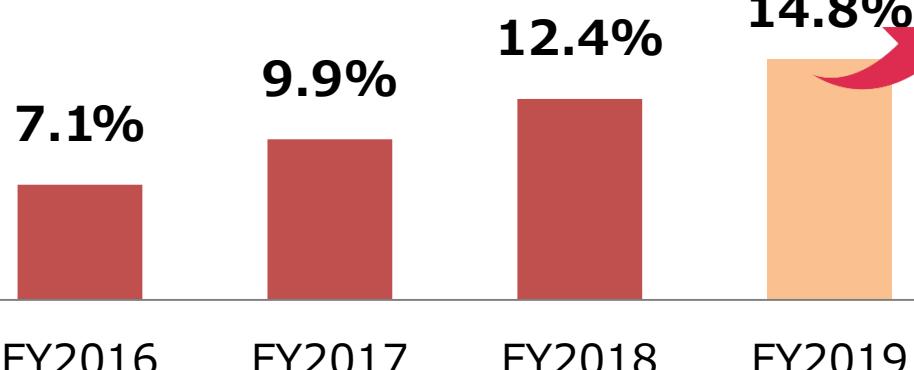


- Dialogue with the CEO and study meetings
- Sharing know-how and maximizing synergies among group companies

KPI

Ratio of female managers

Target for FY2020
15%



KPI

Percentage of men taking childcare leave

Goal

Result in FY2019

Equal to or above the previous year's level:

64.6%
(63.9%)

() Fiscal 2018 result

News

Diversity of decision-makers

Outside Director (Appointed in June 2020)



Rochelle Kopp

- Professor, University of Kitakyushu (Management strategy and HR management)
- Working experience at a Japanese bank
- Extensive knowledge and experience in Japan and the United States as a management consultant

Diverse Human Assets: Health Management

Activities

Promotion of remote work



- Use telecommuting and digital tools to help call centers and claims service centers work remotely
- Promotion of flexible working styles such as shiftwork where working hours can be changed and paid leave by hour

KPI

Number of paid holidays taken

Goal

Equal to or above
the previous year's
level:

Result in FY2019

15.7 days (15.6 days)

KPI

Employee satisfaction
("working energetically")

Goal

Equal to or above
the previous year's
level:

Result in FY2019

4.5 points* (4.3 points)

KPI

Employee satisfaction
("pride and job satisfaction")

Goal

Equal to or above
the previous year's
level:

Result in FY2019

4.4 points* (4.4 points)

*Average of all employees on a scale of 6

External Evaluation

“Diversity Management Selection 100”
by Ministry of Economy, Trade and Industry
*1, *2



“Excellent Workplace Award (Grand Prize)” by Ministry of Health, Labour and Welfare *1



最優秀賞

“Top 100 Telework Pioneers”
by Ministry of Internal Affairs and Communications *1



“Nadeshiko Brand”
by Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange *1-*5



“Health and Productivity Management (White 500)”
by Ministry of Economy, Trade and Industry & Nippon Kenko Kaigi *3, *4



“Health and Productivity Management”
by Ministry of Economy, Trade and Industry & Nippon Kenko Kaigi *2, *5



Major awards from the government and public agencies

*1 MSI, *2 ADI, *3 MD
*4 MSA Life, *5 MSP Life

“Eruboshi (2nd)” (certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace)
by Ministry of Health, Labour and Welfare *1



“Kurumin”
by Ministry of Health, Labour and Welfare *1 *2



“Awards for Women Empowering Companies”
by Cabinet Office *1



“Platinum Kurumin”
by Ministry of Health, Labour and Welfare *1, *3



External Evaluation

CDP Climate Change A List



FTSE4Good Index Series



S&P/JPX Carbon Efficient Index



Dow Jones Sustainability Indices (World/Asia Pacific)

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

MSCI Japan ESG Select Leaders Index*

**2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

ECPI Indices



FTSE Blossom Japan Index



FTSE Blossom
Japan

MSCI Japan Empowering Women Index (WIN)*

**2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

STOXX Global ESG Leaders Index



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(As of December 18, 2020)



II. Collaboration with Jupiter "Climate Change Impact Assessment Service"

Kosuke Terasaki
Senior Researcher
Sustainability Sec., Risk Management Department 3rd
MS&AD InterRisk Research & Consulting, Inc.

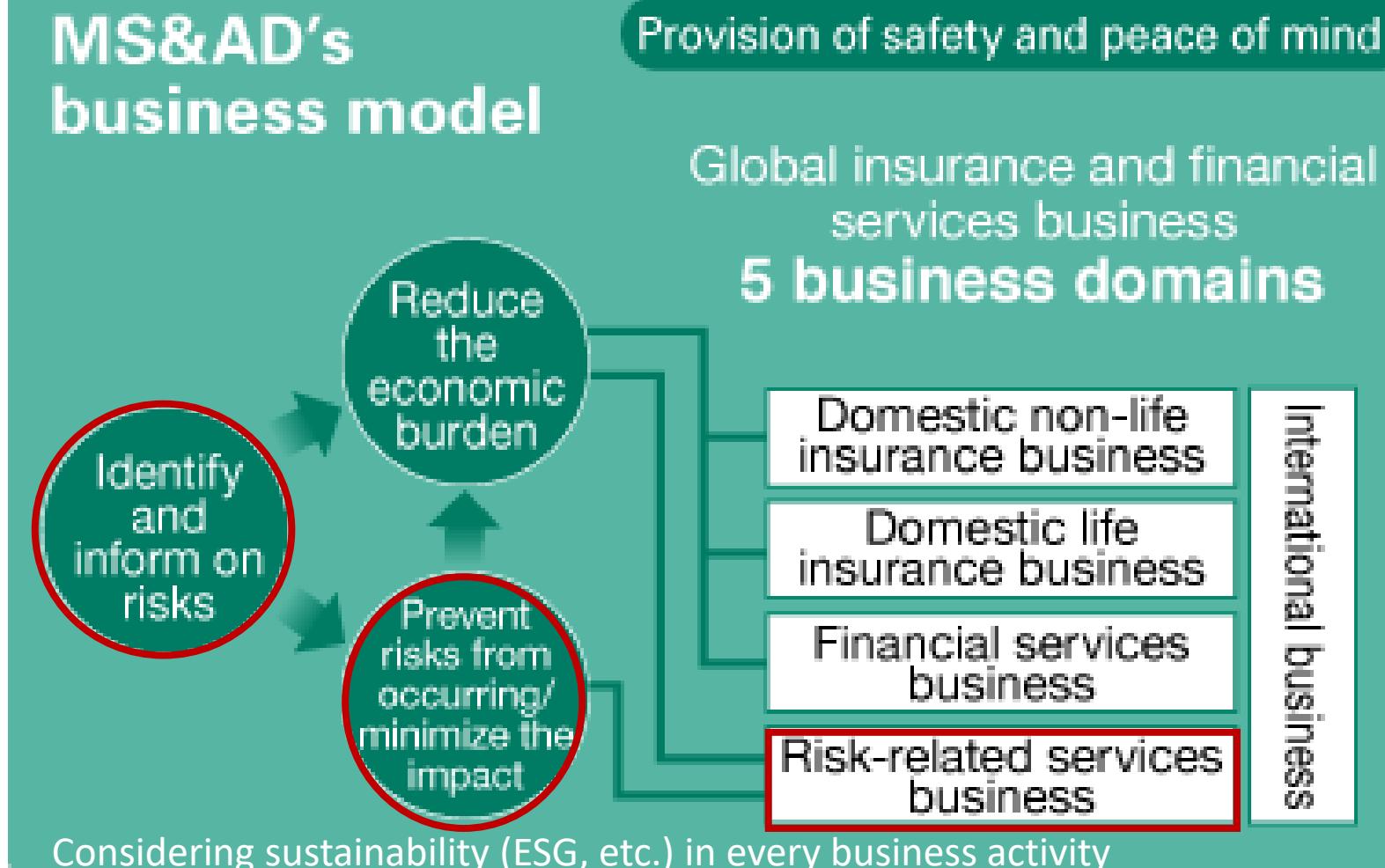
A CSV example of E: "Climate Change Impact Assessment Service"



**Kosuke Terasaki
Senior Researcher
MS&AD InterRisk Research & Consulting, Inc.**

01 Our Position

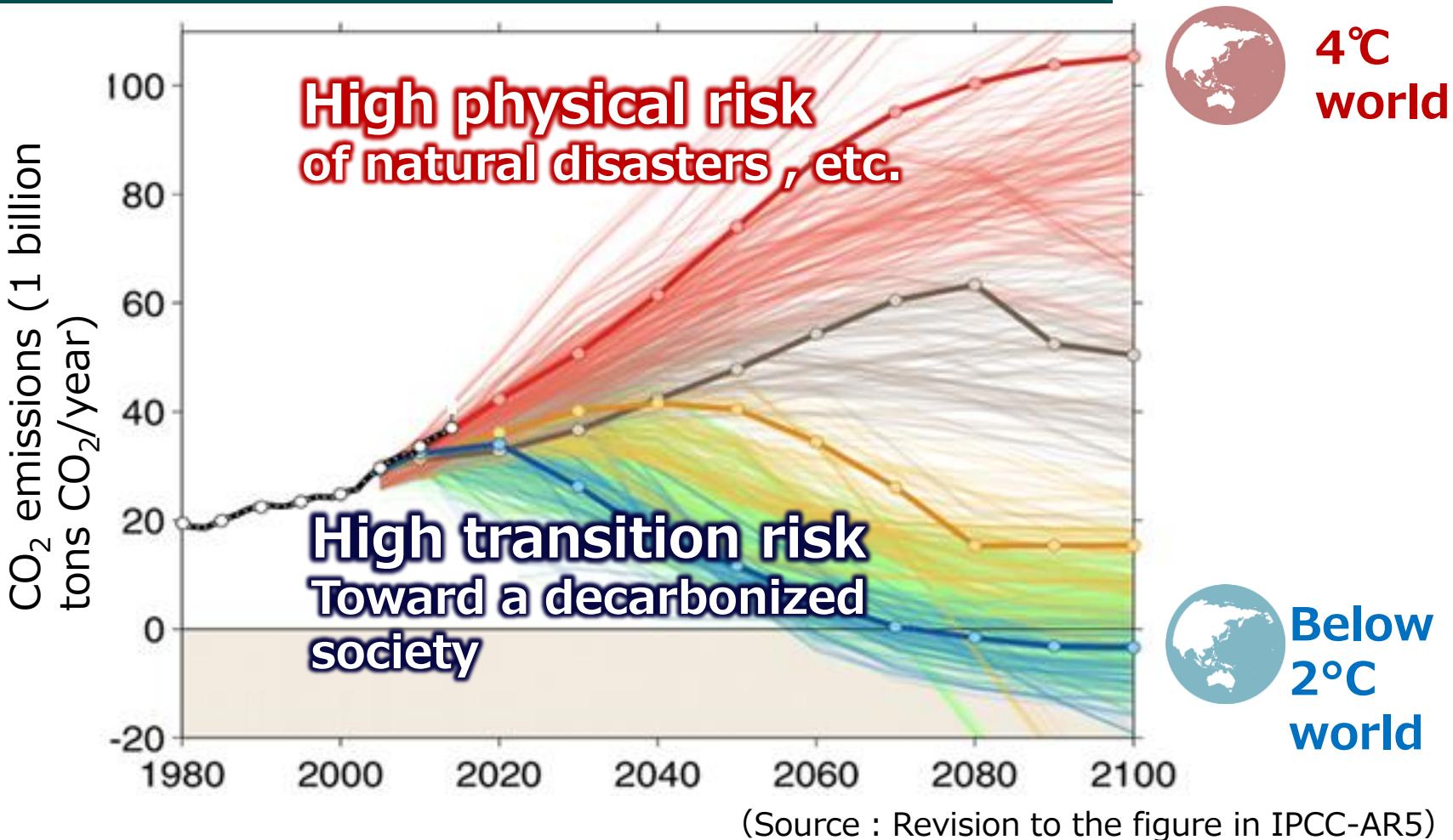
MS&AD InterRisk Research & Consulting, Inc. supports "identification and information on risks" and "risk prevention and impact minimization"



02 Background - The Task Force on Climate-Related Financial Disclosures (TCFD) -

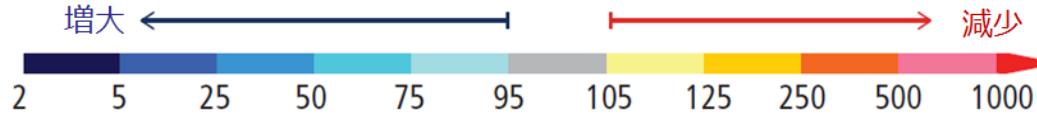
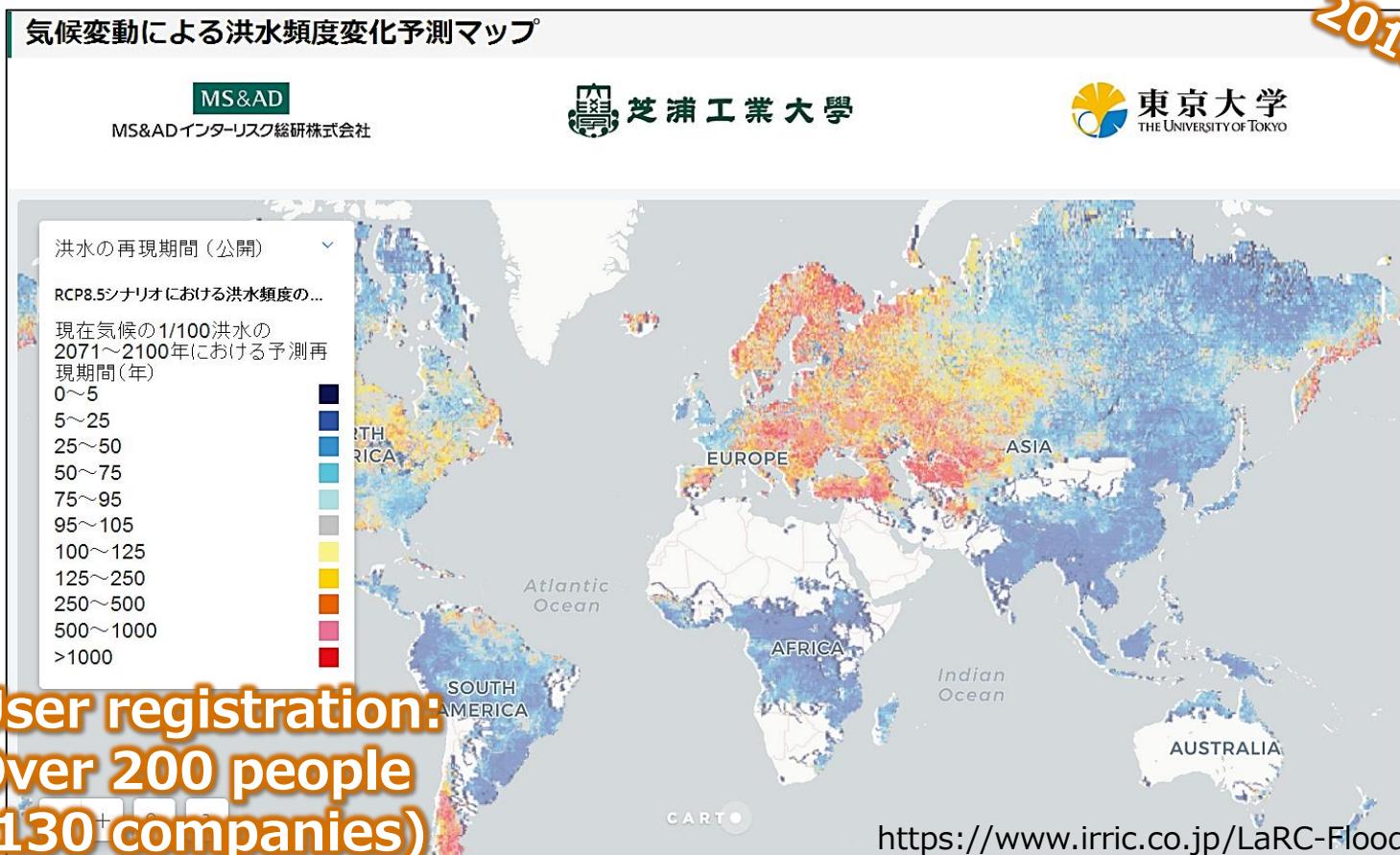
One of recommendations by the TCFD is evaluation of the impact on business for companies' multiple future scenarios.

Cumulative CO₂ emissions and future climate warming scenarios



03 Prediction Map for Changes in Flood Frequency

We have provided physical risk assessment tool to the public.



Hirabayashi Y, Mahendran R, Koirala S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013) Global flood risk under climate change. *Nat Clim Chang.*, 3 (9), 816 -821. doi: 10.1038/nclimate1911.

04 Service Overview - Climate Change – Natural Disaster Risk Assessment -

Released in July 2020. Published on the front page of Nikkei Newspaper (Japan's major financial newspaper).

Basic Specification

- Geographical coverage : whole world
- Resolution : 90 m
- *Japan uses 10 m terrain data
- Time period: 2020 – 2100
- Scenario: 3 types (4 °C, 2.5°C, 1.6°C)
- 9 types of targeted hazards



river
flood



high
tide



torrential rain



wind
disaster



forest fire



hail and
thunder



drought



heat wave

Inundation depth under the 4 °C scenario (RCP 8.5)

Inundation depth [m]

2.5

2.0

1.5

1.0

0.5

0.0

2020 2030 2040 2050 2060 2070 2080 2090 2100

Recurrence
period

500
years

200
years

100
years

Collaboration with Jupiter Intelligence, an investee of MS&AD Ventures

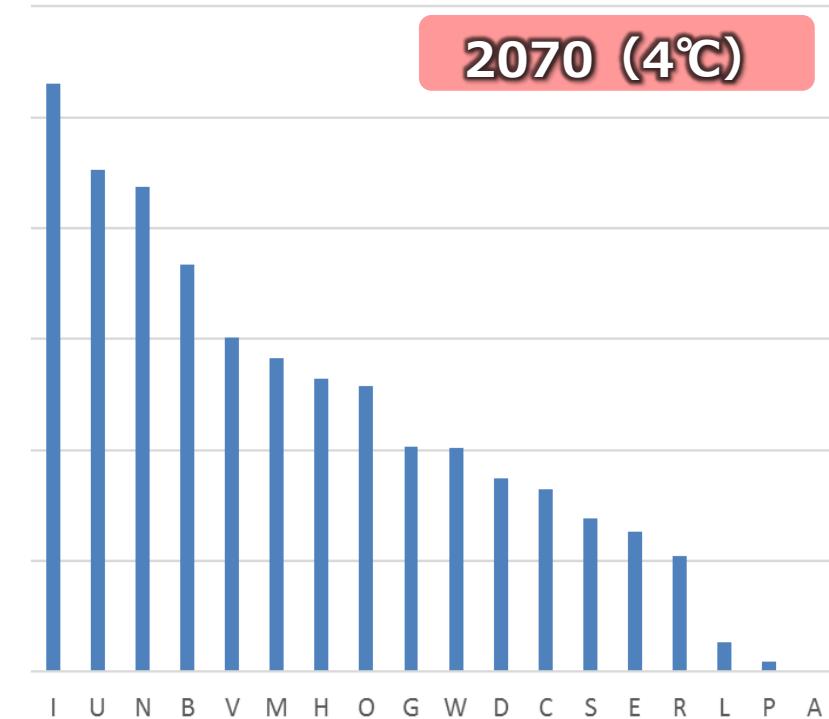
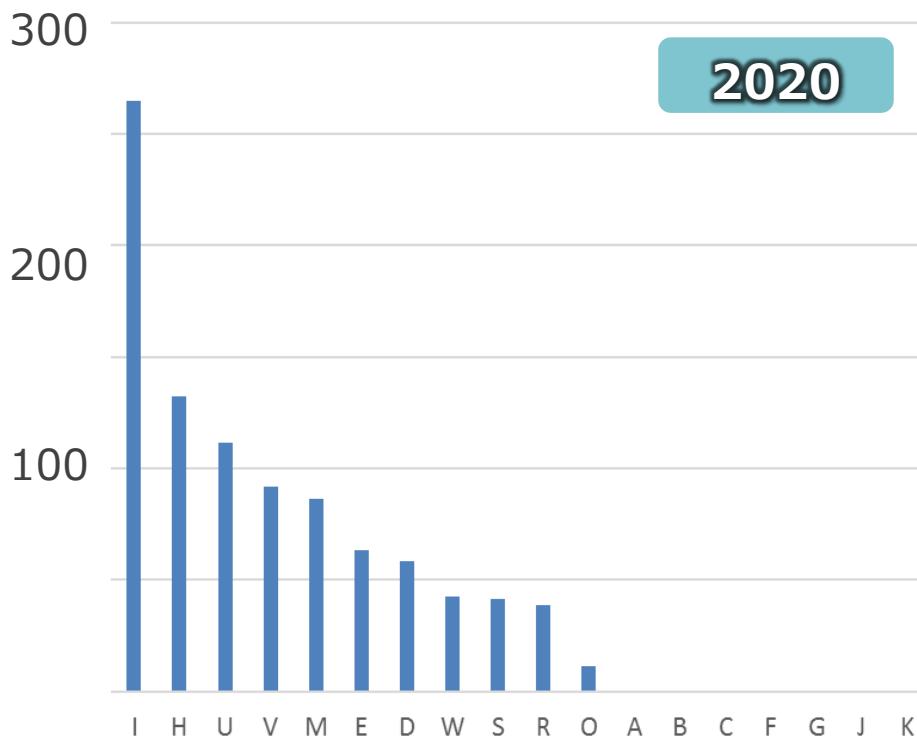
05 Evaluation Cases

- Climate Change – Natural Disaster Risk Assessment -

For some of the hazards, the estimated amount of damage is calculated using our company's expertise.

Estimated damage caused by river floods in 23 areas in 200 years

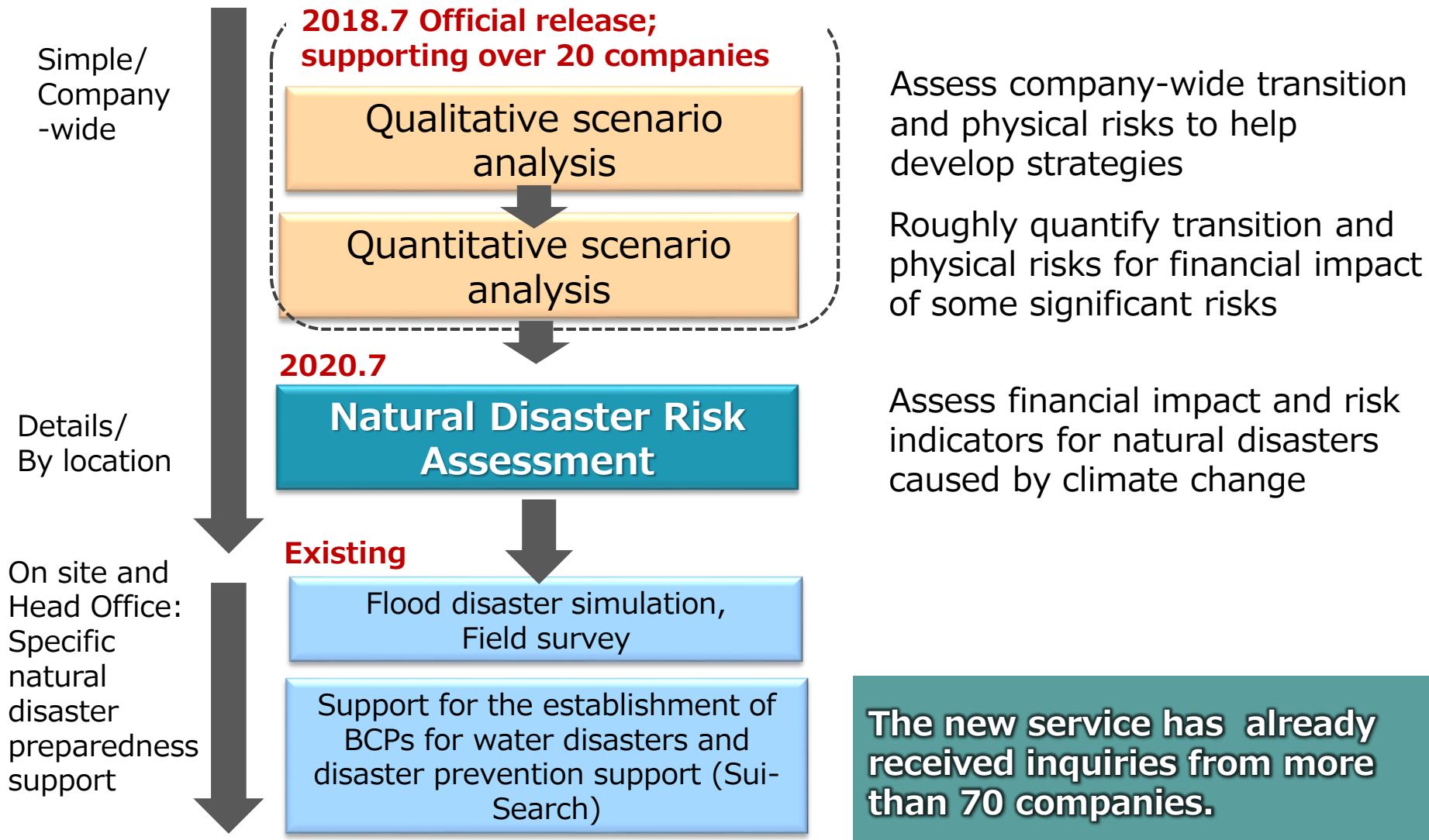
[1 million yen]



Significantly higher losses are expected

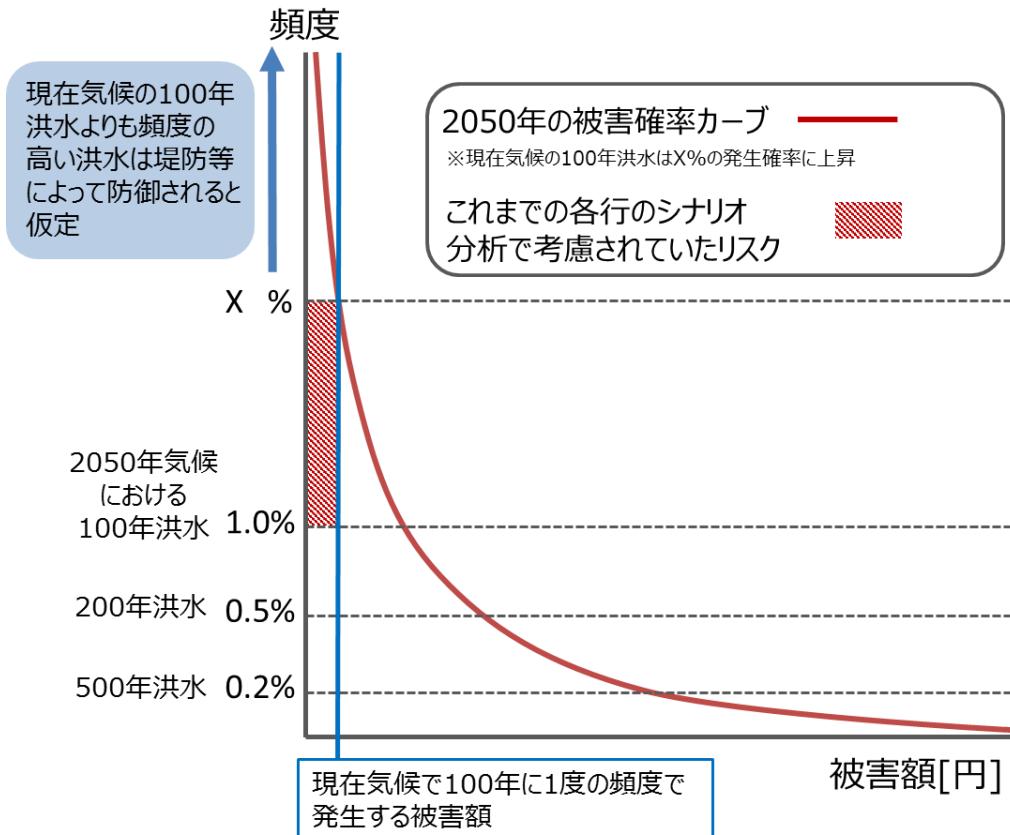
06 Climate-Related Consulting Services

Positioning of detailed analysis that goes beyond the existing company-wide scenario analysis.



07 Development of Services for Financial Institutions

Assuming banks' loan portfolios and estimating the expected amount of damage from flood disasters.



Calculation of future risk increase

Credit model of each bank

Calculation of credit-related costs

**We have supported analysis of several banks.
Now we can do a more detailed and global analysis.**

08 Future Prospects

The number of climate change consultations has increased substantially in 3 years.

Service Development Aspects

- Providing one-stop service to support on-site natural disaster countermeasures
- Further synergy with insurance sales as a differentiating factor
- Strengthening the service provision system (human resources, etc.)
- Promotion of utilization within the Group

Technical Aspects

- Further improvement of model accuracy
- Improvement of investment and loan analysis
- Expansion into more complex risk areas deriving from physical risks



THANK YOU

Mitsui Sumitomo Insurance
MS&AD InterRisk Research & Consulting
MS&AD INSURANCE GROUP

Sustainability Sec., Risk Management
Department 3rd
MS&AD InterRisk Research & Consulting, Inc.

〒101-0063
WATERRAS ANNEX, 2-105, Kanda Awajicho,
Chiyoda-ku, Tokyo
Tel : 03-5296-8913 / Fax : 03-5296-8941
<http://www.irric.co.jp/>



III. Corporate Governance

Tetsuji Higuchi
Director, Senior Executive Officer, CFO

Akira Arima
Outside Director

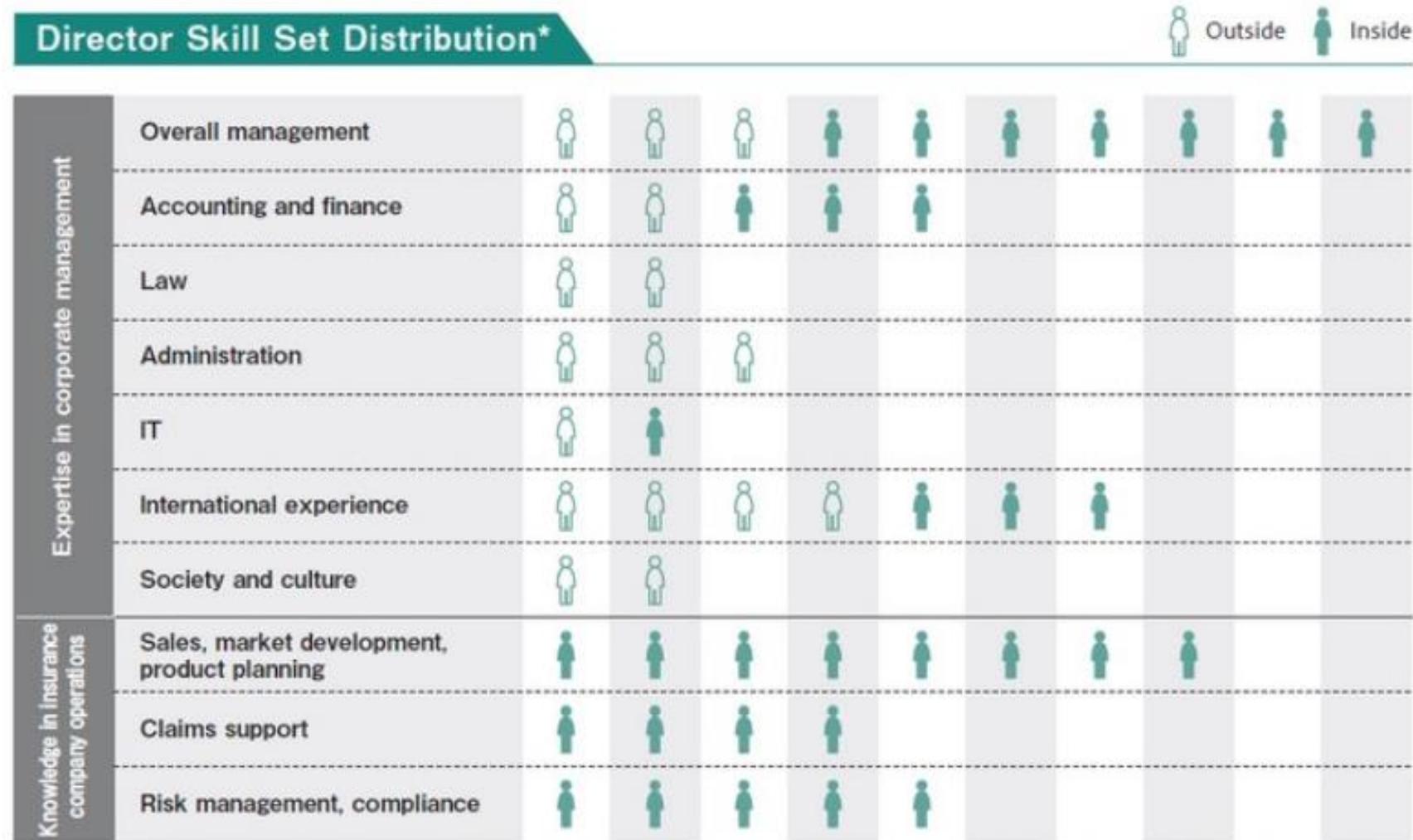
MS&AD Insurance Group Holdings, Inc.

Board Members

Ratio of Outside Directors 44%
Ratio of Female Outside Directors 25%



Directors' Skill Set Distribution



*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.

CEO Succession Plan

CEO Selection Process

Recommendation by the current CEO

- The current CEO prioritizes the candidates and recommends them to the Nomination Committee.
- Candidates can be from within the Group as well as outside the Group.

Deliberation by the Nomination Committee

Chairman: Director Arima (Outside)
Chairman Karasawa, Vice Chairman Kanasugi, President Hara
Bando Director (Outside), Ikeo Director (Outside),
Director Tobimatsu (Outside), Director Kopp (Outside)

- Outside Directors can recommend other candidates
- The Nomination Committee advises the Board of Directors, which makes the final decision.

Resolution by the Board of Directors

Criteria for CEO Selection

- Ability to embody the 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 vision

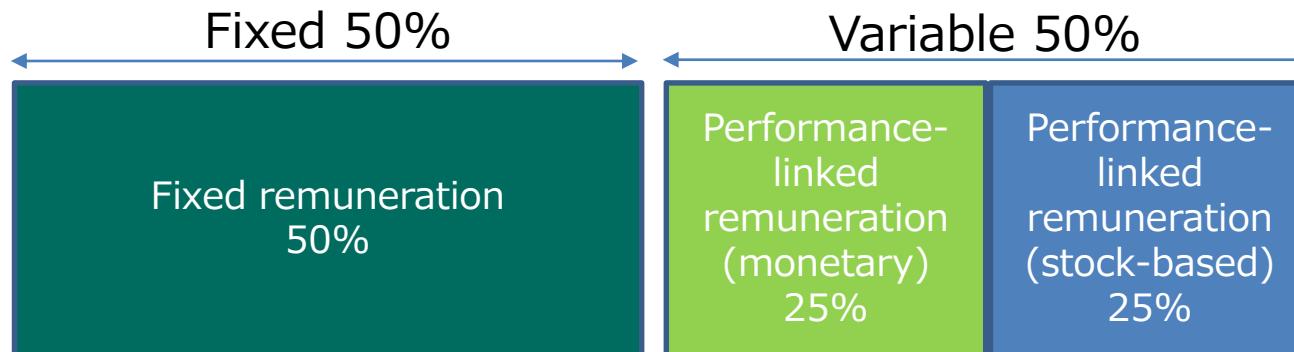
- Fairness and impartiality
- Ability to develop human assets
- Ability to demonstrate leadership
- Global response capability
- Acting in the Group's best interest

Remuneration Plan: Composition of Remuneration

- Remuneration is composed of fixed and performance-linked compensation. Outside Directors and Audit & Supervisory Board members receive only fixed compensation.
- The ratio of performance-linked remuneration is set at a 50%-to-30% level of overall remuneration, according to role. In addition, performance-linked remuneration consists of monetary remuneration and stock-based remuneration. The ratio of stock-based remuneration shall be 9%-25% of the total remuneration, depending on role.

Remuneration Structure	Fixed remuneration	Performance-linked remuneration	
		Monetary remuneration	Stock-based remuneration
Directors (excluding Outside Directors)	○	○	○
Outside Directors	○	—	—
Audit & Supervisory Board Members	○	—	—

Composition of Remuneration (Chairman/President and CEO)



Remuneration Plan: Key Performance Indicators (KPIs)

- The ratio of financial and non-financial indices is set at a standard of "50:50," and for a standard of 1.0, variation for financial indices is 0-3.0 and for non-financial indices, 0.5-1.5.
- Stock-based remuneration is paid through restricted stocks and, as a general rule, the restriction is released upon retirement of the officer.

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">• Using SDGs as leading markers, our progress on the following CSV initiatives (key issues for sustainability)• Progress on the "key strategies" raised in Vision 2021, the Group's medium-term management plan<ul style="list-style-type: none">● Pursue the Group's comprehensive strengths● Promote digitalization● Reform the portfolio

Achievements in 2019

【Financial Indicators】

- Group Adjusted Profit was ¥233.1 billion compared with the planned ¥220.6 billion.
- Consolidated net income amounted to ¥143.0 billion, against the plan of ¥198.0 billion.
- Group Adjusted ROE was 8.0% compared with the plan of 7.1%

【Non-Financial Indicators】

- A five-stage assessment is performed for initiatives regarding each of the above seven key sustainability issues as well as the three key strategies

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

**MS&AD Insurance Group Holdings, Inc.
Corporate Communications and Investor Relations Dept.**

Tel: 03-5117-0311

URL: <https://www.ms-ad-hd.com/ja/index.html>

