

MS&AD Insurance Group Basic Policies on Corporate Governance

MS&AD Insurance Group Holdings, Inc. (hereinafter referred to as “MS&AD” or “the Company”) has established the MS&AD Insurance Group Basic Policies on Corporate Governance for the purpose of indicating the basic approach to and framework for corporate governance.

Chapter 1: The Company’s Basic Approach to Corporate Governance

1. In line with its Corporate Philosophy (Mission), MS&AD, as a holding company overseeing all group businesses, has established a management framework that ensures transparent, fair, swift and decisive decision-making that takes into account the standpoint of all stakeholders. The Company’s objectives are to sustain stability and consistent growth over the long term by using corporate resources efficiently and managing risks properly and ultimately, to further increase corporate value.
2. To this end, the “MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values)” were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance and risk management are positioned as important management issues in the Medium-term Management Plan, and efforts shall be made to actively promote that Plan.

Chapter 2: Relationship with Stakeholders

1. In order to realize our Corporate Philosophy (Mission), the Company aims toward the sustainability of society and sustainable enhancement of corporate value by fulfilling our responsibilities to seven types of stakeholders (customers, shareholders, agents, business partners, employees, local communities/global society and the environment) based on the “Perspective of Sustainability of the MS&AD Insurance Group.”
2. 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. Together with our stakeholders, we continue to contribute to the creation of society where anyone can pursue a stable life and take on dynamic business activities, while preserving the sustainability of the global environment and society.
3. Efforts to engage stakeholders
We will fulfill our responsibilities to stakeholders and create shared value by working with them through the following efforts.

Stakeholder	Efforts
Customers	Provide products and services that meet customer trust and expectations for quality.
Shareholders	Provide appropriate disclosure of information and appropriate return to shareholders. Strive to raise corporate value (See Chapter 5: Relationship with Shareholders).
Agents	Grow together as partners.
Business partners	Maintain sound relationships and cooperate to fulfill corporate responsibilities.
Employees	Provide a comfortable working environment, a sense of purpose and opportunities to grow.
Local communities /Global Society	As a member of society, take steps to create a resilient and sustainable society.
The environment	Secure sustainability of the Planet.

4. Schemes for Receiving Feedback from Customers
The MS&AD Insurance Group has formulated a “Basic Policy for Responding to Customer Communications” in order to receive all customer feedback (in the form of inquiries, consultations, requests, complaints, disputes, compliments and gratitude, etc.). This feedback is used to make quality improvements.
5. Speak Up
The MS&AD Insurance Group has established an environment where anyone can speak up their concerns and worries in a frank and positive way. One such initiative is a whistleblowing system enabling all employees of the Company and its subsidiaries to directly report illegal or improper behavior. All these efforts aim to receive a wide range of employee feedback and enable early detection and resolution of problems.
6. Promotion of Diversity and Inclusion
In order to conduct Group management with awareness of changes in the global environment, the MS&AD Insurance Group establishes a working environment that enables employees to demonstrate their full potential regardless of gender, nationality or disability, and aims to establish a corporate culture that respects diversity and diverse values.

Chapter 3: The Company’s Corporate Governance Stance

1. The Company’s Organizational Structure
 - As a Company with an Audit & Supervisory Board, the Company will endeavor to improve governance by ensuring that independently appointed Audit & Supervisory Board Members appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately act in its oversight functions, while strengthening each function and actively disclosing information.
 - The Company has formed the Governance Committee (made up of all Outside Directors, the Chairman of the Board and the President) in addition to the Nomination Committee and Remuneration Committee (a majority of the members and a chairperson each have been appointed from among the Outside Directors) as internal committees of the Board of Directors, thus building a highly effective and transparent corporate governance system.

- The Company has introduced an Executive Officer System and is proceeding to delegate authority over business execution to these Executive Officers to ensure rapid execution.

2. Role of the Board of Directors

- (1) In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies and capital policy, in addition to overseeing the duties of Directors and Executive Officers.
- (2) The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return and capital, and aims to increase corporate value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- (3) In addition to appointing Executive Officers, the Board of Directors aims to separate management decision making and oversight by the Board of Directors from business execution by Executive Officers by clarifying their respective roles.
- (4) Executive Officers are responsible for executing business in the respective areas of business entrusted to them by the Board of Directors and report on the status of business execution to the Board of Directors.

3. Composition of the Board of Directors and Roles of Outside Directors

- (1) The Board of Directors defined in the Articles of Incorporation has having up to fifteen (15) members, with a balanced composition that includes diverse knowledge and expertise. Candidates for Directors are nominated by the Board of Directors based on the "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" (see 10. Nomination Process below).

Furthermore, at least one third of the Directors are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

- (2) Outside Directors are expected to perform the following roles.
 - Provisioning of advice from a broad perspective on management policies and management improvement based on their knowledge and experience, with the aim of promoting sustainable corporate growth and increasing corporate value over the medium- to long-term.
 - Supervising of management through important decision-making at the board level.
 - Monitoring of conflicts of interest between the Company and related parties such as management (Note) and/or major shareholders.
 - Realizing supervising function from a standpoint independent of management by fulfilling accountability for stakeholders, including shareholders.

(Note) Collectively refers to the Directors, Audit & Supervisory Board Members and Executive Officers of the Company and domestic insurance companies in the Group in which the Company has a direct investment (same applies hereinafter)

4. Operation of the Board of Directors

- (1) Resolutions of the Board of Directors

Except in cases otherwise stipulated by law, resolutions of the Board of Directors are made by a majority of the directors attending the meeting, where a majority of Directors are in attendance.
- (2) Operation of the Board of Directors
 - The agenda, length of deliberation and frequency of meetings of the Board of Directors are defined to allow for required, adequate discussion of important decisions regarding business execution and oversight of the performance of duties.
 - An effort is made to send out and explain proposals to the Board of Directors, giving adequate consideration to the time required for preparation by attendees to enable meaningful views, comments and questions to be presented in meetings of the Board of Directors.
 - The annual schedule of the Board of Directors and anticipated agenda items are determined in advance.

5. Evaluation of the Board of Directors

The Board of Directors periodically analyzes and evaluates its own overall effectiveness, and publishes an overview of the results.

6. Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) Responsibilities of Audit & Supervisory Board Members

As an independent entity entrusted with authority by the shareholders, the Audit & Supervisory Board Members are responsible for ensuring the sound and sustainable growth of the Company, and for establishing a good corporate governance stance in response to the public trust by supervising the performance of duties of the Directors.
- (2) Authority and Roles of Audit & Supervisory Board Members

Each Audit & Supervisory Board Member shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Audit & Supervisory Board.

- (3) **Composition and Roles of the Audit & Supervisory Board**
- The Audit & Supervisory Board is defined in the Articles of Incorporation and has having up to 6 members, a majority of which shall be Outside Audit & Supervisory Board Members in accordance with the law. Candidates for Audit & Supervisory Board Member are nominated by the Board of Directors with the approval of the Audit & Supervisory Board, based on the “Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates” (see 10. Nomination Process below).
 - The Audit & Supervisory Board receives reports from Audit & Supervisory Board Members on the status of performance of duties, and reports from officers and employees on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.
 - The Audit & Supervisory Board makes decisions regarding proposals submitted to the General Shareholders’ Meeting on the appointment or dismissal of Accounting Auditors, and the non-reappointment of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.

7. Accounting Auditors

The Board of Directors and the Audit & Supervisory Board endeavor to take appropriate action to ensure adequate auditing by the Accounting Auditors.

8. Support Systems for Directors and Audit & Supervisory Board Members / Training Policy

The Company has the following systems in place as required for Directors and Audit & Supervisory Board Members to effectively fulfill their roles and responsibilities.

- (1) The Company has assigned a person in the secretariat of the Board of Directors to each of the Outside Directors and Outside Audit & Supervisory Board Members (hereinafter referred to as “Outside Officers”) to provide support in areas such as providing briefings in advance.
- (2) The Company has established a system for ongoing provision of information and training at the time of appointment and during the term of Directors and Audit & Supervisory Board Members.
- (3) The Company provides appropriate opportunities for Outside Officers to share information and exchange opinions with management and senior employees.
- (4) The Company bears the expenses required to enable Outside Officers to fulfill their roles.

9. Group Management Committee

The role of the Group Management Committee is to discuss management policies, management strategies and other matters that are key issues for the Company and its Group companies. It also monitors specific business operations by receiving reports on matters decided upon by Executive Officers.

10. Nomination Process

- The Board of Directors appoints candidates for Directors, candidates for Audit & Supervisory Board Members and Executive Officers based on advice from the Nomination Committee. The consent of the Audit & Supervisory Board needs to be obtained for candidates for Audit & Supervisory Board Members.
- The Nomination Committee deliberates on important management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer of the Company as well as the selection of Directors and Audit & Supervisory Board Members for domestic insurance companies in which the Company has direct investments.
- The Nomination Committee is made up of 3 or more members.
- A majority of members and the chairperson shall be appointed from among the Outside Directors by the Board of Directors.

11. Process of Determining Remuneration

- (1) **Remuneration of Directors**
 - The amount of remuneration for each Director is determined by the Board of Directors within the amount specified by resolution of the General Shareholders’ Meeting, after deliberation by the Remuneration Committee.
 - The Remuneration Committee provides advice to the Board of Directors on matters such as performance evaluations and remuneration for the Company’s Directors and Executive Officers.
 - The Remuneration Committee is made up of 3 or more members.
 - A majority of members and the chairperson have been appointed from among the Outside Directors by the Board of Directors.
- (2) **Remuneration of Audit & Supervisory Board Members**
 - The amount of remuneration of each Audit & Supervisory Board Member is determined by discussion by Audit & Supervisory Board, within the amount specified by resolution of the General Shareholders’ Meeting.

12. Governance Committee

The Governance Committee whose chairperson is elected by mutual vote of the Outside Directors has been established for the purpose of discussion by all Outside Directors, the Chairman and the President regarding matters related to the status of, policies regarding and stance on corporate governance.

13. Task-Specific Committees

The Company has established the Sustainability Committee, Quality Improvement and Compliance Committee, Group Management and Monitoring Committee, Digitalization Committee, Group Systems Committee, Group International Business Committee and Risk Management Committee with the aim of deliberating important management issues involving business execution, to coordinate perspectives across various departments.

Chapter 4: Group Management Structure

1. Roles of the Company (Holding Company)

- The Company has executed into business management agreements with the domestic Group insurance companies in which it has direct investments (hereinafter referred to as “directly invested companies”), and supervises management of Group companies in order to realize management strategies, improve management efficiency and ensure financial soundness and appropriate operations within the Group.
- The Company has established “Basic Policy Pertaining to System for Internal Controls,” “Risk Management Basic Policy,” “Compliance Basic Policy,” “Internal Audit Basic Policy,” “Risk Appetite Statement,” and “Basic Policy on Information and Technology Governance.” In addition to requiring compliance with these policies by Group companies, important matters involving directly invested companies require either the approval of or reporting to the Company in line with business management agreements.
- The Company establishes group business strategy such as the Group’s Medium-term Management Plan.
- The Company provides guidance and supervision through monitoring of the progress of management plans formulated by Group companies and the status of business execution, with the aim of achieving the goals of the Group.

2. Role of Directly Invested Companies

- Directly invested companies formulate their own policies and appropriately establish internal management systems based on the Group’s Basic Policies, in addition to formulating management plans in each company based on the Group’s Medium-term Management Plan to conduct management as individual companies.
- Directly invested companies also appropriately supervise the management of their subsidiaries under business management agreements.

Chapter 5: Relationship with Shareholders

1. Constructive Dialogue with Shareholders

The Company has disclosed the Policy on Constructive Dialogue with Shareholders and has established the system for promoting constructive dialogue with shareholders from the perspective of enabling deeper dialogue in the medium- to long-term and enhancing corporate value.

2. Ensuring Shareholder Rights and Equality

The Company acts appropriately to effectively ensure the rights of shareholders, and endeavors to enable shareholders to appropriately exercise those rights as follows.

- The Company will take appropriate action to enable shareholders to effectively exercise their voting rights in the General Shareholders’ Meeting.
- The Company will provide accurate information to contribute to appropriate decision-making in the exercise of voting rights by shareholders.
- The Company provides adequate explanation of capital policies, etc., that have a material impact on the interests of shareholders.
- In the event a proposal by the Company is approved in the General Shareholders’ Meeting but with considerable votes in opposition, the Company analyzes the reason and volume of opposing votes, and responds appropriately.

3. Prevention of Transactions that Conflict with the Interests of Shareholders

When the Company does business with a related party such as a Director or a major shareholder, prior approval of the Board of Directors is required for important or non-standard transactions to ensure they do not harm the joint interests of the Company and the Company’s shareholders.

4. Strategic Equity Holdings

The Company has disclosed the “Basic Policy on Strategic Equity Holdings and Reduction” and the Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings from the perspective of contributing to the increase in the Company’s corporate value and that of companies in which shares are held by the Company in the medium-to long-term.

Chapter 6: Appropriate Disclosure

- The Company and the Group’s domestic insurance companies conduct disclosure based on the “Basic Policy for Disclosure of Information,” to ensure that they act in accordance with disclosure rules stipulated by law and financial instrument exchange in line with this Basic Policy, and that their stakeholders are able to fairly, correctly and promptly understand important information.
- In addition to disclosure required by law, the Company also discloses non-financial information of significant interest to shareholders, including ESG (environment, society, governance) along with financial information, in an easily viewable “Integrated Report” format, intended to contribute to a constructive dialogue with stakeholders, including shareholders.
- In addition, this information is also disclosed in easily-accessible format on the Company’s website, and other efforts, including the use of video, will be made to provide stakeholders with a better understanding on the website.

Supplementary Provision

Revision and abolition of this basic policies shall be by resolution of the Board of Directors.

END

Last Amended, March 1, 2019