

MS&AD Insurance Group Holdings
ESG Meeting (held on January 25, 2024)
Q&A Session Summary

The following is a summary of the Q & A session of ESG Meeting held on January 25, 2024.

The following abbreviations of company names are used in this document.

- Holdings: MS&AD Insurance Group Holdings
- MSI: Mitsui Sumitomo Insurance Co., Ltd.
- ADI: Aioi Nissay Dowa Insurance Co., Ltd.
- MSA Life: Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSP Life: Mitsui Sumitomo Primary Life Insurance Co., Ltd.

<Respondents>:

- Representative Director, Vice President, Group CFO Mr. Tetsuji Higuchi
- Outside Director Ms. Mariko Bando
- Senior Executive Officer, Group CRO Mr. Satoru Tamura

Q1:	Who has the initiative in the human asset strategy, Holdings, or the group companies? In the past six years as an outside director, has there been any change in the relationship, such as the shift of functions from main group companies to Holding?
A1:	<p>Ms. Bando</p> <p>We divide the roles of Holdings in the direction of promoting women's participation, diversity, equity and inclusion, and each group company in specific implementation. For example, employees who are not expected to relocate are switched to job categories that are expected to relocate, and other systems that support growth are implemented by group companies and the results are fed back to Holdings.</p>
Q2:	Do you think there is a need to adjust the employment conditions gap between MSI and ADI in the future, or is the gap justified to some extent in terms of human asset management, and what are your current initiatives and future directions?
A2:	<p>Mr. Tamura</p> <p>I believe that the gaps in employment conditions have been an issue since the business integration. The HR system and the level of treatment have a history, so it takes considerable energy just to deal with the situation at each company, and from that perspective, we have been working for the past 10 years to make it better at each company. At this juncture, when the employment environment is drastically changing, and the sense of employment of young people in is drastically changing, we are once again finalizing discussions on how to move toward the future.</p> <p>Regarding salary levels, I think it will be difficult to integrate them immediately from the</p>

	<p>perspective of mitigating drastic changes. On the other hand, from the perspective of what we want our employees to work around and what we will evaluate as a company, for example, I believe that young people are particularly interested in forming autonomous career plans, so we are discussing integrating our HR system into a form where we will evaluate around prerequisite skills to support this.</p> <p>We are currently studying how we will integrate our HR system while taking advantage of the past and the benefits of membership-type system.</p> <p>In addition, we are working on various ways to optimize our HR strategy and portfolio, such as integrating our HR system and closely examining at the personnel portfolio of the entire group, cross-utilizing highly specialized staff, and having them serve concurrently as secondments within the group.</p>
Q3:	<p>Is it correct to assume that the HR systems of five domestic group companies will be integrated while taking measures to mitigate drastic changes? Also, do you plan to hire new graduates as the group?</p>
A3:	<p>Mr. Tamura</p> <p>We are currently considering the possibility of integrating the HR systems of MSI and ADI. If we can realize this, we will consider expanding it to MSA Life, for example. However, this also requires drastic change mitigation measures and cannot be done immediately. There is also a difference between life insurance companies and non-life insurance companies, so I think the direction will be to unify the way of thinking and philosophy.</p> <p>On the other hand, at MSP Life, more than 80% of employees are hiring experienced employees, which is already very close to job-type employment, so we will examine whether integrating them will be suitable in the future. We need to make sure that MSI and ADI should consider this issue together.</p> <p>We have been discussing the hiring of new graduates. As a practical matter, it is more efficient to hire MSI and ADI separately, and the quality of staff that can be hired is high, so we have not taken actions to materialize it yet. However, we continue to recognize that hiring of MSI and ADI together is an issue in the future, so we would like to continue to consider it.</p>
Q4:	<p>Please explain about the human asset development described on page 21, especially the development of the group's senior management personnel.</p>
A4:	<p>Mr. Tamura</p> <p>The HR department of each company is considering this issue, including the development plan. We are developing human asset not only through the spot programs described in the materials, but also through personnel rotation, so the current situation is carried out within each company.</p> <p>As we aim to integrate the HR system, we will also integrate the HR computer system, so if we can create a database for the entire group, we will be able to develop human assets</p>

	<p>in common with the group, recombine the human assets portfolio, and exchange human assets within the group. We are still in the planning stage now, but we are in the process of carrying out specific studies that we hope to shape in FY2025 to 2026.</p>
Q5:	<p>From the perspective of HR development, I would like to ask you about "Customer Focus," which is one of the "Values" that MS&AD has set. In the report of the investigation committee on the BIG MOTOR issue disclosed by other non-life insurance groups, I believe that there was a suggestion that the customer's benefits were not emphasized and that the agent's priority was given. I think this means that not only the company, but also the entire non-life insurance industry is under scrutiny for whether they are working toward the customer or looking only at the agent.</p> <p>Today, you explained your efforts to provide insurance products that can contribute to customers. I would like to ask you to explain your efforts to make employees work toward "Customer Focus," which are different from those of other companies, and to raise awareness in human assets development. In addition, I would appreciate it if you could explain your efforts at various disclosure opportunities, such as the Integrated Report.</p>
A5:	<p>Mr. Tamura</p> <p>We have raised "Customer Focus", but based on the two problems that occurred this year, we are reflecting on the fact that we did not do enough. With regard to the price adjustment issue, we believe it is undeniable that the relationship between customers and agents has become ambiguous. In our daily operations, we have started a thorough education program to focus on customers who are insurance policyholders and potential policy holders. For example, employees are realizing that initiatives that contribute to the resolution of social issues can lead to social evaluation and positive effects on sales activities in the community by cooperating with various educational institutions and business partners in the local community, even if not through agencies. We believe that one of the ways of employee education is to realize in our daily work that customers are facing the market from the perspective that they are not only individual policyholders but also the entire local community.</p> <p>Mr. Higuchi</p> <p>At our group, we believe we have very high values and have spent considerable time instilling our Mission, Vision and Values within our group. For example, in our annual employee awareness survey, 95% of the staff answered positively that they are working with the "Customer Focus" action guideline (value), which is the most relevant of the five "values." With this incident However, looking back on this issue, we believe that there was a lack. Based on the results of the employee awareness survey, we believe that each employee is working with a high level of "Customer Focus" awareness. However, when there were things that might be against Customer Focus, it was hard for them to speak up, which I believe is truly cause for reflection. Based on this reflection, we would like to replace our group with a system that allows us to find the root cause of inadequacies in other companies and industries. In addition, we would like to promote initiatives such as including the perspective of outside parties in areas that we cannot find ourselves.</p>

Q6:	Please explain MS&AD Holdings' view on the administrative actions from FSA taken on 26 th December. After the report of the Third Party Committee will be submitted, is it considered to be explained separately in the large meeting?	
A6:	<p>Mr. Higuchi</p> <p>We sincerely apologize for causing you a lot of concern and trouble regarding the administrative actions. We would like to take this opportunity to apologize again.</p> <p>With regard to the governance of the Holdings in relation to the administrative actions, after the price adjustment issue was recognized internally, information was shared between the group companies and Holdings in a timely manner, and the Holdings reported to the Board of Directors as appropriate, including from the viewpoint of whether there were any governance defects, and we have received various opinions from outside directors. As a Holdings, we have taken measures including whether there were any inadequacies in the management of the group companies.</p> <p>We are currently formulating a business improvement plan and will submit it to the authorities by the end of February. The Holdings is making efforts as a group while checking the status of the review of group companies, that's all as of today.</p> <p>Also, as we have not decided whether to hold a large meeting focusing on this matter, I will report when it is decided.</p>	
	SQ1:	I have participated in ESG meetings every time and my understanding has deepened, but I think it is not fair disclosure to hold ESG meeting focusing only on the points you want to make. Regarding the price adjustment issue, I would really like to see the briefings held.
	SA1:	Thank you for your opinion.
Q7:	The KPIs for human asset development on page 17 are all rated as green. How do you assess the difficulty of setting goals? And if this is green, which means we're overachieving, could we change our goals at some point?	
A7:	<p>Mr. Tamura</p> <p>Although we rate the current progress toward FY2025 as green, we cannot say whether we will be able to achieve the target in FY2025. It is not always easy to determine whether we will be able to achieve the goal in FY2025 in the remaining 2 years, given that we have already done a great deal about what is feasible. On the other hand, there are companies that have revised their goals upward, for example, because the ratio of female managers has exceeded the current goal. We are now at the turning point of our medium-term management plan, and we are now moving toward the next fiscal year by scrutinizing the appropriateness of setting goals and whether we can reach them realistically.</p>	
	SQ1:	If we forcibly estimate something like the achievement rate from the results of FY2022 and the target figures by FY2025, there is a considerable difference in the achievement rate depending on the item, but since there are times when

		<p>the target is achieved rapidly, is it the idea that all items with a low achievement rate should be green at present? For example, the achievement rate of the number of days of childcare leave taken by men is about 40% on a business day basis, and there is a difference in the achievement rate against the target of the ratio of female managers and the ratio of female line managers. Please explain the concept of what criteria you use to evaluate the excess achievement.</p>
SA1:	<p>Mr. Tamura</p> <p>Overall evaluation is difficult, but I think many items are over 50%. The target number of days for male child care leave you pointed out is 4 weeks on a calendar basis, so I think the achievement rate is low. This number does not necessarily increase linearly, because the average number of days increases greatly when some of the people taking it for a very long period, but decreases greatly when they return to work. Therefore, we need to steadily raise the overall level, and I think it will be difficult to achieve. There are some items that I think will be equally difficult to achieve, and on the other hand, I am considering upward revision for items that I think are not too difficult.</p> <p>Ms. Bando</p> <p>As you pointed out, the number of male child care leave days of 8.1 is considerably lower than the target of 4 weeks, but compared to the actual number of days taken by other companies, it can be said that our result is not bad. I feel that the ratio of female line managers has been raised a little more, but I think we can appreciate that the ratio of line managers is shown instead of the ratio of managers.</p> <p>On the other hand, increasing engagement is really a matter of awareness, but there could be other methods other than this questionnaire research, and we need to consider this figure when we say that almost everyone should become digital human assets from now on. We need to change KPIs depending on the reality.</p>	
Q8:		<p>In light of various incidents in the last year, please explain the status of the discussions on how to improve your company's internal control mechanisms.</p> <p>And I would also like to ask Ms. Bando's thoughts as an outside director.</p>
A8:	<p>Mr. Tamura</p> <p>There have been no major changes to the internal control framework, but we are identifying areas that need to be reviewed in light of these incident and considering ways to improve them. As a way to strengthen the functions of so-called 2nd Line and 3rd Line, we are considering specific preventive measures such as detecting the warning signs of risks inherent in the organization and sharing them within the group.</p> <p>Ms. Bando</p> <p>I sometimes ask myself and reflect on whether I am really fulfilling the duty. In general, this</p>	

	<p>becomes the norm for Japanese organizations when they are in the midst of it. From now on, I think it will be important to have a system that ensures psychological safety and respects diverse values so that we can say "isn't this strange?" on a daily basis.</p>
Q9:	<p>With regard to the executive remuneration system, for example, I believe that there are points of view such as the adequacy of the promotion and remuneration of foreign people and the introduction of indicators for risks such as ROR. Please explain the evaluation of the current system and the challenges.</p>
A9:	<p>Ms. Bando</p> <p>There are various opinions about remuneration for executives. I have a different opinion from the general discussion, but I think that it is one of the biases that we cannot secure competent staff unless we offer higher remuneration. We should consider the total remuneration, including what constitutes human assets. The remuneration committee is discussing various values, including what kind of reform and social contribution management wants to make, and recognizing the value of people who have dignity as human beings.</p> <p>Mr. Tamura</p> <p>I understand that there are various indicators in the evaluation system. Currently, we are in the middle of the mid-term management plan period, and when the accounting standards change, the business management indicators change, so we are considering when to review them, including when, but there is nothing concrete now. We are at the stage of continuing various studies, and there is a possibility that we will review them at a time that will convince shareholders to change the remuneration structure.</p> <p>In addition, the remuneration structure of foreign managers varies by country and market, and we look at them individually as an HR officer of Holdings, but they are not on the agenda for consideration by the Remuneration Committee of Holdings. We look at them mainly as part of management within MSI, the parent company of overseas subsidiaries.</p>

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