

## **MS&AD Insurance Group Holdings**

### **ESG Meeting 2021 (held on December 21, 2021)**

#### **Part 2. Summary of the Discussion on the Role of MS&AD's Human Capital in the Sustainable Enhancement of the Corporate Value**

The following is a summary of the discussion at the ESG Meeting Part 2 held on December 21, 2021.

##### **1. Concept of human asset strategy**

###### **(1) Building an optimal portfolio of human assets**

*Vice President Higuchi:* We believe that the human asset portfolio of employees that we are actually working on is very important for realizing our Group's growth strategy of "CSV × DX × GLOBAL." From the perspective of "CSV," we need skills that enable us to identify social issues, identify risks arising from them, and find innovative solutions. "DX" also requires skills in creating solutions that utilize digital technologies. We also believe that we need human assets who can develop business in "GLOBAL", that is, who can lead overseas businesses. In order to build a human asset portfolio that can respond quickly to changes in the business environment in conjunction with our growth strategy, we believe it is necessary to engage in employee reskilling and to secure professional human assets.

*Director Kopp:* The strength of a global company is that it can utilize talented people from around the world. We think it's important to understand what skills employees have. By comprehensively grasping the strengths, skills, and expertise of employees working overseas and in Japan within the same framework, the skills that are lacking will become clear, and in order to acquire them, it will be possible to consider recruitment from outside and internal development. I believe it is very important to comprehensively grasp skills in order to make it possible for both foreigners and the Japanese to be properly assigned.

###### **(2) Initiatives for employee reskilling**

*Vice President Higuchi:* We believe that there are two types of reskilling: raising the level of skills for all employees in the Group and reskilling of professional human assets.

For example, in order to promote the "CSV × DX" strategy, all Group employees must acquire digital skills that enable them to engage in business transformation using digital technology. To this end, we are systematically improving skills through online training for all employees, in-house certification systems for digital human assets, and educational programs.

We are working with external organizations to improve the skills of professional human assets. Specifically, we have collaborated with educational institutions such as Toyo University's School of Information and Communication, Shiga University's Graduate School, and Kyoto University of Advanced Science for formulating various programs for our company and promote human asset development programs.

*Director Kopp:* Raising the level of all employees and raising everyone's awareness and knowledge

of digital fields, as well as fostering specific employees as experts, are considered to be the best way for reskilling, so MS&AD's initiatives are in line with best practices.

We can see Price Waterhouse Coopers and AT&T as examples of successful overseas reskilling. The key to success is employee driven, which means you can choose the courses you want to study that personalize your work, interests, and skill levels. It is also very important for employees to be curious and motivated to learn, and to be independent about their own learning.

### **(3) Efforts to secure and promote professional human assets**

*Vice President Higuchi:* Our group has a personnel system that employs a different job type from that of ordinary employees for human assets in specialized fields such as digital, IT, asset management, accounting, and legal affairs. In addition to strengthening internal training, the company is also working to recruit human assets from outside the company. In order to secure professional human assets and promote their activities, in addition to developing a personnel system suitable for professional human assets, we are also promoting the development of an environment in which mid-career employees can play an active role, as well as the management of the system to enable employees to have a second job concurrently.

*Director Kopp:* Globally, particularly for highly skilled human assets, human asset mobility is increasing. I think Japan will become more and more like that. It's very important to attract and retain skilled employees. To do this, you need to be an "Employer of Choice." What is important to each employee depends on the person. Of course, competitive wages and benefits are important as a basis, but it is also particularly important to have a rewarding career. I think it is very important for us to have a sense of accomplishment that we are contributing through our work and doing important things, to have our own learning and growth, and to be able to provide such an environment.

## **2. Foundation supporting human assets**

### **(1) A workplace environment where everyone can work energetically (Employee engagement)**

*Director Kopp:* According to Gallup's employee engagement survey, Japan ranks 132nd out of 139 countries, which means that very few employees say they are "engaged." This isn't just a Gallup poll, but a number of other surveys have shown similar results.

What I feel is particularly important is that the right people are in the right places. It means that the abilities and interests of the employees match the content of the work and that it is done thoroughly. To this end, a personnel management system and measures are necessary, and I think it is very important to improve the abilities of each manager.

*Vice President Higuchi:* As part of its current medium-term management plan, our Group has been working toward the realization of a "resilient and sustainable society" with CSV as the core of its activities. I am not sure if it represents engagement itself, but as I mentioned in my presentation, nearly 93% of our Group employees are aware of sustainability and CSV. There is a big gap

between Gallup's engagement ratio and our company's 93%. I would like to emphasize that this is the result of our Group's survey.

As part of our efforts to raise the awareness of CSV, we hold a Sustainability Contest every year. More than 300 applications are received every year, and ideas are submitted globally by various employees. I think these things lead to motivation and job satisfaction.

In order for our employees to empathize with our mission, vision, and values, and to feel a sense of fulfillment in their work, we are developing a variety of environments in order to raise abilities and skills by choice, which Ms. Kopp mentioned earlier. For example, we provide growth opportunities such as a post-challenge system that enables employees to develop their own careers and external training. In addition, to enable employees to work in a variety of ways, we have implemented a work-from-home system, a system of part-time work and side jobs, and support new challenges. Through these environmental improvements, we are working to increase the motivation of our employees. a

## **(2) Changes in employees' attitudes amid the COVID-19 outbreak**

*Director Kopp:* In dealing with a lot of Japanese customers, I often hear that before COVID-19 outbreak, they didn't imagine it was possible to work from home, but when COVID-19 came around and they had to work from home, there was an unexpectedly good side to it. With a computer, you can do many tasks by yourself, so you can concentrate more efficiently. Because you can save time for commuting to work, you can enjoy your private life and reduce your mental and physical burden. For this reason, some people say that they want to continue even after the pandemic has converged.

On the other hand, there is also a desire to talk and interact with the people we work with face to face from time to time. There are many people who feel quite lonely when they work remotely all by themselves.

One way to work is through hybrid work, in which you work at home two or three days a week, and then you come to the office. It has become major working style in US. From now on, I think it's good to flexibly adapt both ways of working. To this end, we may need to change the design of the office to focus on meetings, improve the environment in which employees work at home, and train managers to manage people remotely.

*Vice President Higuchi:* I think there is a change in the way people work between time before COVID-19 outbreak and now. One of the biggest things is receptivity to remote work around you. Our Group has long had a telecommuting system, but before COVID-19 outbreak, many people would have said, "Oh really? You work from home?" Now when people telecommute, there is nothing surprising about it. I think the biggest change is that people around us have become more receptive, they find it efficient.

In today's environment, telecommuting/remote working is a way for employees to live with peace of mind. Being able to work with peace of mind is very important, and I believe it is important for the Group to continue to develop an environment where people can work efficiently and effectively.

With regard to communication issues, for example, if we worked together in an office, managers would listen to their subordinates' phone calls, and they would be able to evaluate their work performance, including how well they handle customers. However, since they cannot do that with telecommuting, I think it is important for managers to improve their skills so that they can evaluate the work properly even when working remotely. In addition, I think it was possible for employees to understand what is happening in the conversations around them and make preparations based on it. However, since this is no longer the case, I think it is becoming very important to devise communication to compensate for it. In particular, managers are required to have skills that are unique to remote work, such as job allocation, so it will be important to develop managers who can respond to these needs.

In the previous presentation, we talked about remote working in a call center. The company believes that it is necessary to develop an infrastructure that enables employees to work at home with high productivity.

### **(3) A corporate culture that embraces diversity (D&I)**

*Director Kopp:* I think it is a very pleasant change that D&I is now attracting more attention in Japan than I could have imagined a few years ago. However, there are some things that I would like Japan to do more. I feel there are two issues in particular.

The first challenge is diversity. When you hear about diversity, I think the first thing you think about is the promotion of women's participation. However, diversity includes not only gender, but also age, position, nationality, disability, religion, and LGBTQ people. So it's important to think more broadly about diversity.

Another issue is that while D&I response to "D" has progressed, the response to "I" has not. It is of course important to have a variety of human assets, but it is not enough to have them, and it is important to create an environment in which diverse human assets can play an active role and in which diverse opinions and viewpoints can be utilized. I would like to see more effort put into activities that lead to the inclusion of such diverse people.

*Vice President Higuchi:* First of all, regarding gender, Japan ranked 120th out of 156 countries in this year's Gender Gap Index, and remained at the bottom of the G7. It is inevitable to admit Japan is very slow in promotion of women's participation. Keidanren was alarmed by this situation and stated that D&I was the key to leading to a sustainable capitalist society amid the spread of COVID-19, and set a goal for female executives at over 30% by 2030. Our Group believes that setting goals is the first step toward achieving them and has set the same goals.

Regarding non-gender issues, for example, I think it is necessary to change the way Japanese companies think about hiring new graduates en masse or lifetime employment. When it comes to recruitment activities, I think we used to select people from the perspective of "who we would like to work with," but in the process of diversifying, it is important to adopt the perspective of "whether or not they have something different from us." Even in our Group, there is a possibility that the we

are still conducting recruitment activities from the perspective of “can we work together?” In any case, I believe it is important to take D&I initiatives step by step.

*Director Kopp:* I highly appreciate our Group’s approach to D&I. Looking at the numbers, I am very pleased that the percentage of women in managerial positions is steadily increasing every year and that if we continue at the current pace, we will likely achieve the 30% target.

#### **(4) Leadership in the future**

*Director Kopp:* The leadership method I am particularly interested in is servant leadership. Actually, this concept has been around for more than 40 years, but recently it has been attracting attention again. This is because servant leadership is a very good way to manage skilled employees. As I mentioned earlier about the importance of highly skilled employees, it is not necessary to have a boss who always gives orders from the top when managing such people, and it is not very useful. In fact, it has the effect of reducing engagement. Therefore, the concept of servant leadership is to create an environment in which the boss supports the subordinates and makes them feel comfortable working. It’s like setting up an environment where you can do your best, like an Olympic coach, so if you give a lot of advice and set the scene and manage in that kind of atmosphere, it’s very effective to increase the engagement of highly skilled employees.

*Vice President Higuchi:* In order to create a work environment in which diverse employees can work and be active, it is very important to ensure psychological safety. I think what leaders say and do has the biggest impact on ensuring psychological safety. As Ms. Kopp said, inclusion, not just diversity, is important in D&I, and I think inclusive leadership is the key to bringing together diverse human assets and allowing teams to challenge themselves with creative ideas. I believe that the most important aspect of inclusive leadership is to create an environment in which each employee can maintain psychological safety, can say what they want to say, and can be create in open discussion. I introduced an e-business seminar in my presentation, and I also participated in it as a teacher. It was a very good experience, and as the participants and board members freely exchange opinions from an equal standpoint, many things come to mind, and we have new discoveries. I realized that we could grow from that. Through this initiative, I have been able to touch on these things, and I feel once again that this inclusive leadership is very important.