

MS&AD Insurance Group Holdings
ESG Meeting 2021 (held on December 21, 2021)
Q&A Summary

The following is a summary of the questions and answers at the ESG Meeting held on December 21, 2021.

The company names are abbreviated as follows.

MSI: Mitsui Sumitomo Insurance Co., Ltd.

ADI: Aioi Nissay Dowa Insurance Co., Ltd.

MS Amlin: Total for AUL, AAG, AISE, ACS

[AUL (MS Amlin Underwriting Limited), AAG (MS Amlin AG),
AISE (MS Amlin Insurance SE), ACS (MS Amlin Corporate Services Limited)]

Q1: What are the merits of integrating the hiring of new graduates and the HR system of MSI and ADI and are there any obstacles?

A1: There are a lot of human asset exchanges and daily contacts between the two companies' employees, but there are issues that need to be cleared before we can proceed with collective hiring and integration of HR systems. It is true that there is a difference in treatment between MSI and ADI, and this is one of the prerequisites for the collective hiring of new graduates and the integration of HR systems, and I think this is the biggest challenge to overcome. Outside Directors expressed their opinions that it would be a good idea to prepare for these issues, and this is one of the issues that should be considered. However, we have to consider the increase in personnel costs as a whole, which is a concern.

Q2: I have a question for you, Ms. Kopp. I think there are various human asset hiring policies and HR systems in groups formed by the merger of several companies. How should these be integrated? Or is it better not to integrate the hiring policies of each company, but to hire various human assets? What do you think about this? Are there any best practices?

A2: There are no specific best practices. There are cases where each company survives in parallel after the merger, and conversely, there are cases where they merge quickly. I've been involved in a number of mergers. One thing to keep in mind is that the process of consolidating the HR structure itself is so energy-intensive that it's likely to distract employees from what they're doing. I think we have to be very careful about this.

Q3: Please tell us about the integrated management of the Group and how to develop and promote global human assets. There was an article in the past about MSI conducting the first

training for overseas executive candidates, but since most of the participants are from overseas companies, I think this is training for executive candidates of overseas subsidiaries rather than being global. Are you considering the selection and development of candidates for the management of the entire Group?

Also, do you think the current executive system of the Group is the best at present? At other companies, there are cases in which the positions of the underwriting officer and the asset management officer positions are co-headed by people from Japan and those from overseas subsidiaries, or there are cases in which globally important management themes are discussed by the global executive committee, which includes overseas executives, and are utilized for execution. In order to promote integrated global management at your Group, is there any additional consideration in terms of HR affairs and the execution system?

A3: (Outside Director Kopp)

Toyota is a good example of the integrated management of a global Group. For the past 20 years, Toyota has been using "succession planning" to match the skills of its overseas and Japanese employees, and to ensure that such skills and experience are required for promotion to this position. The company has established a variety of courses to ensure that human assets with the necessary skills are properly matched with posts on a global basis. In order to support these, they have implemented various educational programs and created a system that is consistent between Japan and overseas. I think such a method is certainly the best.

(Vice President Higuchi)

As you pointed out, the overseas employee training program was designed to help overseas employees better understand the overall situation in our Group, as well as the ways, policies, and strategies of the head office, and bring them back to their companies of origin. In addition to bringing the results of the training back to the overseas subsidiary where they came from, the employees at the management level at these overseas bases also transfer to other overseas subsidiaries to improve their skills, and transfer human assets between the overseas bases of the Group.

Under the current system, we hold an executive level meeting once a quarter, which includes the heads of overseas subsidiaries. By holding regular meetings for each business area in the lower classes, we manage our business by communicating globally. We believe it is also necessary to consider placing overseas human assets in charge of insurance underwriting in the form of co-heads, as other groups have done, and having them take on the decision-making role of head office management. However, our Group abolished its regional holding company system two years ago and has been directly managing its overseas subsidiaries at the head office. At present, we are prioritizing the effective operation of the new system. In the future, we will consider what kind of system is better, including a review of the current

situation, and intend to further improve the system.

Q4: What are your self-assessments and strategies for engaging people and how do you see your mission, vision, and values penetration globally?

From the perspective of global human assets, the number of global exchanges seems to be not very high, considering the number of employees. You say that it is important to increase the number of employees with diverse cultures and values and deepen mutual understanding among employees. Could you tell us about your efforts to increase global exchanges?

A4: Since the establishment of our gr Group, we have been working to instill a sense of mission, vision, and values. I believe it is important to send out the top message and keep our mission, vision, and values rooted in the Group. I believe it is extremely important to confirm the mission, vision, and values at all training programs.

Overseas as well, I am aware that leaders in each country are very conscious of the mission, vision, and values, and are working to make them take root in their local subsidiaries.

In some cases, they create a value book describing our mission, vision, and values and distribute it to employees, or provide a forum for dialogue with them.

Similarly, we believe that the penetration of CSV is very important. In particular, our mission of supporting "the development of a vibrant society and a sound future for the planet" is very consistent with the concept of CSV, and we believe that it is important for all of our employees to work together to solve social issues and raise our Group's corporate value.

Our Group holds an annual sustainability contest that attracts nearly 400 entries from around the world. By repeating these efforts in their own countries, we will gradually increase our ability to attract human assets. The level of the sustainability contest is increasing year by year. I think it is very important that employees within our Group share their efforts and create a feedback loop so that they can feel that their work contributes to society and to the expansion of the Group's corporate value.

Q5: With regard to D&I and the human asset portfolio, there are various aspects such as gender, nationality, age, and religion. What do you think is the most appropriate composition for the MS&AD Group? What kind of discussions are you having toward achieving this goal?

A5: We believe that diversity is more important than quantitative composition. As for D&I, in addition to the visible diversity of women, foreigners, and people with disabilities, there are a variety of factors that are invisible to the eye, such as the way of thinking, the experience of living or growing up overseas, and differences in personality. For example, even two Japanese men of the same age, 40, have different ways of thinking, which is one of the types of diversity. I think it is important to create a place where employees with diverse personalities can work together comfortably, not only on the surface but also on the inside.

Psychological safety is important in that sense, and we believe it is important to create an environment in which all employees can freely express their opinions.

- Q6: I seems that the top management of MS Amlin is often replaced. I would like to think that the day will come when a non-Japanese manager who has been with MS&AD for a long time and contributes to the expansion of overseas business will attend the briefing session we attend as a speaker and explain the reason for the improved performance.
- A6: At MS Amlin, we were able to welcome Johan Slabbert, a very talented human asset, as the head of the Lloyd's syndicate business. We also have a Chief Underwriting Officer from Swiss Re, who is recognized as a person with a wealth of experience and knowledge within the Lloyd's syndicates. I hope that they will be active in MS Amlin for a long period of time and have a track record of expanding MS Amlin's corporate value. Alan Wilson, who has attended several briefings as a speaker, has long been a leader in our Group's Asian business, particularly in the ASEAN region. He also serves as an executive officer of MSI. We will also work to ensure that the MS Amlin side can produce human assets that can contribute to the international business expansion.
- Q7: From the beginning of the acquisition, investors were concerned that MS Amlin was taking too much risk from natural catastrophes, but I think there was a lack of communication with overseas office on this point. You said that you are now working on the development of global human assets, but it takes time to develop them, so why don't you consider hiring bilingual Japanese people from outside who can communicate well overseas? Please tell us how your Group's efforts can be utilized in practical business.
- A7: Regarding the management of natural catastrophe risk at MS Amlin, we exchanged opinions with members of the company's board of directors and the chairman of the board of directors when making business investment decisions. We were told that MS Amlin is a syndicate that takes on a large amount of natural catastrophe risk, and that a large loss may occur due to a natural catastrophe once every few years. Our company management made a decision to include MS Amlin as a member of the Group, knowing the risk and being prepared to take the risk. I understand that, considering the actual occurrence of natural catastrophe risks after that, we were judged as having taken too much risk, and I believe that this is one of the matters to reflect on. We have been working to reduce the risk of natural catastrophes through communication with MS Amlin since a major loss occurred in 2017. In addition, we are currently working to reduce the exposure by approximately 20% from next year. The employees dispatched from Japan have excellent communication skills, and we do not believe that communication with local employees is insufficient and that we cannot proceed as we wish.

Q8: In your Group, digital professionals are not data scientists, designers or engineers, but people who can speak a common language and lead application and system development. Is this understanding correct?

You mentioned that in Japan, hundreds of employees have been trained in cooperation with external organizations. Is the amount of human assets sufficient? Also, overseas employees account for more than 20% of the Group's employees. Could you tell us about your efforts to strengthen the expertise of digital human assets overseas?

A8: As an insurance company group, we have a lot of data, so we would like to use it to refine our existing insurance business, as well as new businesses and new markets. To do this, we think data scientists are the key. Including external hires, there are currently 50 ~ 60 data scientists working at Group companies in Japan. As is often said, the skills of a data scientist alone will never lead to a business. Data science, engineering and business capabilities combine in a triangle to create a DX business. Data scientists have data science skills among the three skills, but those hired from outside the company do not have a deep understanding of the insurance business. In order to create new things, it is important to secure human assets with the level of skills to understand the insurance business and have conversations with data scientists. As I explained today, there are approximately 600 human assets in Japan who have acquired these skills in collaboration with various universities. These human assets are at the core of refining existing businesses and creating new ones. Employees throughout the rest of the Group can feel that they can do something digitally when they hear the needs of customers. These skills need to be acquired by people who are not specialists, so we would like to improve those skills as well.

The situation is similar globally, and each overseas subsidiary employs and fosters digital human assets. Our Group has a CVC in the Silicon Valley, and they have a "Garage program," where digital talents from overseas subsidiaries are going to the Valley and looking for startups that can solve the pain points they have. In that sense, we believe that we have been able to acquire professional human assets on a global scale, centering on major overseas subsidiaries.

Q9: With respect to human rights, have you developed any criteria for joint ventures, insurance underwriting or investment for countries with inhumane armed forces, such as Myanmar, or regions and companies with humanitarian issues? Is there any specific movement in the industry?

A9: I believe that policies for insurance underwriting and investment that take human rights into

account are a category of consideration. Our Group has announced a policy of suspending insurance underwriting and investment for cluster munitions manufacturing companies, but I think it is necessary to consider refraining from underwriting insurance and investing in companies that manufacture weapons of mass destruction and other categories. On the other hand, when it comes to the country level, we do not provide insurance cover to the country level, nor do we invest in or finance it, so it is a little difficult to do something on a national basis.

Q10: Regarding wellbeing in health management, academic papers say that there is a certain degree of correlation between mental happiness, business performance, and productivity. How do you think and verify the correlation between this wellbeing and the expansion of your Group Adjusted Profit?

In the future, I would like you to try it as it would be easy to understand if you could share with us what kind of cycle the verification process is going through, including the quantitative one of your health management.

A10: We believe that our work helps to solve social issues and is beneficial to the world, which gives our employees a sense of fulfillment and achievement and enables them to work actively. By maintaining and improving this spirit and working proactively to solve the next social issue, we believe that this will positively affect the expansion of our corporate value and, in turn, the profit.

We would also like to consider quantitative verification and disclosure.

Q11: Looking at the “Health & Productivity” stock selection of the Tokyo Stock Exchange, I think your company was one of the leaders a few years ago, but recently it is not included in the list. What do you think about that?

A11: Health management is becoming of the most important issues for the companies listed on the Tokyo Stock Exchange. Our Group is also actively promoting various initiatives, such as providing insurance and services to support health management. However, there is a possibility that our Group’s initiatives are becoming less outstanding as more and more companies are making positive and excellent efforts.

Q12: What are your quantitative KPIs for the TNFD*¹? TNFD seems to be a theme with a potential comparable to the TCFD*². What is your view on its future expansion?

*¹ TNFD: Taskforce on Nature-related Financial Disclosures

*² TCFD: Taskforce on Climate-related Financial Disclosures

A12: The difficulty with the TNFD, as you pointed out, is setting up quantitative KPIs. The TCFD provides common indicators such as reductions in greenhouse gas emissions, and easy-to-

understand KPIs are common, such as the 2050 year carbon neutrality under the Paris Agreement and the 1.5 degree scenario for achieving this goal. On the other hand, the theme of natural capital is very broad, and setting KPI is quite difficult. There are figures for the maintenance and conservation of natural capital in 30% of the world's land, but we think it is necessary to set a clearer standard for this 30%. It is said that the TNFD will come after the TCFD, but both are heavy disclosure standards, and I think it will be a considerable burden for companies. Therefore, I think that aligning the disclosure frameworks as much as possible will increase the companies' interest in financial disclosure of natural capital. In any case, it is very important for our company employees to participate in the rulemaking process, and we will work hard to reflect their opinions in this process.

Q13: Your Group is taking a proactive approach to non-financial disclosure, but I feel that the capital market evaluation does not match. In this situation, do you think the balance of the skills matrix, including outside directors, is appropriate, particularly in the areas of financial accounting and insurance business? In particular, when it comes to the medium-term management plan and the return of profits to shareholders are discussed, are you able to have discussions that the capital market requires?

A13: The skill sets of the Board of Directors are discussed by the Board of Directors and the Nomination Committee, and the necessary skill items are selected to promote management strategy and to supervise execution. We believe that the skill sets of current directors are well-balanced. The Board of Directors also receives very active input on shareholder returns and capital policies. In addition, we have been able to engage in very in-depth discussions, receiving opinions from a variety of global business insights. We would like to continue discussions at the Board of Directors and the Nomination Committee on further necessary skills such as experience in corporate management for the members of the Board of Directors.