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

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 towards the realization of “leaving no one behind”

Management platforms that enable employees to play active roles
- Promotion of diversity & inclusion
- Encourage employees to learn and think for themselves, take on challenges and continue to grow
- Health and productivity management
- Highly transparent and effective corporate governance

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
- Continue efforts to reduce the burden on the environment
- Investment activities that conform to PRI (Principles for Responsible Investment)

Systems supporting value creation
Management Based on Integrated Thinking

Vision 2021 (FY2018 – FY2021)

Development of management based on CSV*

Further Growth via CSV × DX

2015

2010

Construction of the story of value creation

Formulation of Mission, Vision and Values

Image of society in 2030

A resilient and sustainable society

2010

※CSV: Creating Shared Value

The level of contribution to society's sustainability

The level of impact on long-term growth of MS & AD Insurance Group

Contributes to climate change mitigation and adaptation

Deal with new risks

Create mobility society without accidents

Strive to improve sustainability of natural capital

Support "good health and longevity"

Strive for resilient community development

Work toward realization of "leaving no one behind"
Creating Shared Value (CSV)

**MS&AD’s business model**

- **Social Issues**
  - Diverse risks surrounding Society

- **MS&AD’s business model**
  - **Reduce the economic burden**
  - **Identify and inform on risks**
  - **Prevent risks from occurring/ minimize the impact**

- **MS&AD’s business model**
  - **Global insurance and financial services business**
    - 5 business domains
      - Domestic non-life insurance business
      - Domestic life insurance business
      - Financial services business
      - Risk-related services business
      - International Business

- **Creating shared value**
  - Deal with new risks
  - Create a safer mobility society
  - Strive for resilient community development
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**Management platforms that enable employees to play active roles**

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**Quality that earns the trust of society**

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**Image of Society in 2030**

- **Resilient and Sustainable Society**
  - Stability in People’s lives
  - Dynamic business activities
  - Provision of safety and peace of mind
  - Quality that earns the trust of society

- **CSV × DX acceleration**
  - **Global insurance and financial services business**
  - **5 business domains**
  - **Domestic non-life insurance business**
  - **Domestic life insurance business**
  - **Financial services business**
  - **Risk-related services business**
  - **International Business**

**Image of Society in 2030**

- Stability in People’s lives
- Dynamic business activities
- Provision of safety and peace of mind

**Creating shared value**

- Deal with new risks
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CSV Initiatives and Digital Transformation

Seven Key Issues For 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”
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~In Japan, Asia and across the world ~

Digital Technology
- Big Data
- AI
- Mobile
- Blockchain
- RPA
CSV Initiatives

~In Japan, Asia and across the world ~

Changing awareness of each employee

**Sustainability Contest 2020**

- 354 applications (17 from outside Japan)

**Digital Innovation Challenge Program 2019**

- 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.

<table>
<thead>
<tr>
<th>Winning companies</th>
<th>Themes</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSI</td>
<td>In conjunction with public agricultural mutual aid and cutting-edge IoT technologies, resolving longstanding issues facing the livestock industry</td>
<td><img src="Images" alt="Icons" /></td>
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<tr>
<td>ADI</td>
<td>Advanced accident investigation with “Image analysis forensics”</td>
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<tr>
<td>Mitsui Direct General</td>
<td>Provision of &quot;Effective web solicitation know-how&quot;</td>
<td><img src="Images" alt="Icons" /></td>
</tr>
<tr>
<td>MSI Aioi Life</td>
<td>Corporate life insurance proposals through health management promotion activities to support the sustainable development of companies that will create tomorrow's Japan</td>
<td><img src="Images" alt="Icons" /></td>
</tr>
<tr>
<td>MSIG Thailand</td>
<td>Supporting the independent lives of persons with disabilities through the &quot;Center for Sustainable Agriculture&quot; program</td>
<td><img src="Images" alt="Icons" /></td>
</tr>
<tr>
<td>MS&amp;AD InterRisk</td>
<td>Developing the world's most advanced climate risk assessment service for TCFD in partnership with U.S. startups</td>
<td><img src="Images" alt="Icons" /></td>
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</table>
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.

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)

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

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

CSV × DX
Progress of CSV Initiatives

Examples of CSV initiatives leading to solutions

Cyber risk response products
- Legal entities and organizations protected from cyber risk
  - Approx. 9,800 to Approx. 12,300
  - Year-on-year 10.1% increase

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

Toward further growth
- Multifaceted cybersecurity
- Compensation for sharing business
- Telework compensation

Progress of digital society
- 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
  - 36.5% to 25.3%
- Number of enterprises *2
  - Approx. 1,400 to approx. 2,800

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

FY2018 FY2019
Approx. 9,800 Approx. 12,300
Year-on-year 10.1% increase
FY2018 FY2019
Year-on-year 25.2% increase
FY2018 FY2019

*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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MS&AD Insurance Group Holdings, Inc.

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Business activities with consideration for sustainability

Activities of diverse human assets

MS&AD’s business model

Global insurance and financial services business

5 business domains
- Domestic non-life insurance business
- Domestic life insurance business
- Financial services business
- Risk-related services business

Social Issues

Sustainable Development Goals

CSV × DX acceleration
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**
- Activities on a Groupwide basis

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**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**
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**

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*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

Reduction of environmental impact

- CO2 emissions: Compared to 2009 -33.4%
- Energy consumption
- Paper usage: Compared to 2009 -20.7%
- Compared to the previous year + 5.1% *

Products and services responding to climate change

- Proposals for water disasters and earthquakes preparation
- Regional revitalization comprehensive agreement; BCP
- Map for flood assessment
- Weather derivatives
- Weather alert services
- Green resilience
- Renewable energy: Support for stable business operation
- Cmap

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

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

### Association of Female General Managers

- [Image of a meeting room with people]

### News

**Diversity of decision-makers**

**Outside Director (Appointed in June 2020)**

- 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

**Rochelle Kopp**

### KPI: Ratio of female managers

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>FY2016</td>
<td>7.1%</td>
</tr>
<tr>
<td>FY2017</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2018</td>
<td>12.4%</td>
</tr>
<tr>
<td>FY2019</td>
<td>14.8%</td>
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</tbody>
</table>

**Target for FY2020**: 15%

### KPI: Percentage of men taking childcare leave

- **Goal**: Equal to or above the previous year's level:
  - **Result in FY2019**: 64.6% (63.9%)

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

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**Rochelle Kopp**

- [Image of Rochelle Kopp]

[MS&AD Insurance Group Holdings, Inc.]
Diverse Human Assets: Health Management

**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**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Result in FY2019</th>
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<tbody>
<tr>
<td>Equal to or above the previous year's level:</td>
<td><strong>15.7 days</strong> (15.6 days)</td>
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**KPI: Employee satisfaction (“working energetically”)**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Result in FY2019</th>
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<tr>
<td>Equal to or above the previous year's level:</td>
<td><strong>4.5 points</strong>* (4.3 points)</td>
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**KPI: Employee satisfaction (“pride and job satisfaction”)**

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<th>Result in FY2019</th>
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<tr>
<td>Equal to or above the previous year's level:</td>
<td><strong>4.4 points</strong>* (4.4 points)</td>
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</table>

*Average of all employees on a scale of 6
Major awards from the government and public agencies

- "Diversity Management Selection 100" by Ministry of Economy, Trade and Industry *1, *2
- "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
- "Excellent Workplace Award (Grand Prize)" by Ministry of Health, Labour and Welfare *1
- "Top 100 Telework Pioneers" by Ministry of Internal Affairs and Communications *1
- "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
- "Platinum Kurumin" by Ministry of Health, Labour and Welfare *1, *3

## External Evaluation

<table>
<thead>
<tr>
<th>CDP Climate Change A List</th>
<th>Dow Jones Sustainability Indices (World/Asia Pacific)</th>
<th>FTSE Blossom Japan Index</th>
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<tr>
<td><img src="image" alt="CDP Logos" /></td>
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<tr>
<th>FTSE4Good Index Series</th>
<th>MSCI Japan ESG Select Leaders Index*</th>
<th>MSCI Japan Empowering Women Index (WIN)*</th>
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<tr>
<th>S&amp;P/JPX Carbon Efficient Index</th>
<th>ECPI Indices</th>
<th>STOXX Global ESG Leaders Index</th>
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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”

Considering sustainability (ESG, etc.) in every business activity
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

(Source: Revision to the figure in IPCC-AR5)
03 Prediction Map for Changes in Flood Frequency

We have provided physical risk assessment tool to the public.

https://www.irric.co.jp/LaRC-Flood

User registration:
Over 200 people (130 companies)

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

Recurrence period:
- 500 years
- 200 years
- 100 years

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

- River flood
- High tide
- Torrential rain
- Wind disaster
- Forest fire
- Hail and thunder
- Drought
- Heat wave
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

Significantly higher losses are expected
06 Climate-Related Consulting Services

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

- **Qualitative scenario analysis**
  - Assess company-wide transition and physical risks to help develop strategies
  - Roughly quantify transition and physical risks for financial impact of some significant risks

- **Quantitative scenario analysis**
  - Assess financial impact and risk indicators for natural disasters caused by climate change

- **Natural Disaster Risk Assessment**
  - Flood disaster simulation, Field survey
  - Support for the establishment of BCPs for water disasters and disaster prevention support (Sui-Search)

The new service has already received inquiries from more than 70 companies.
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%

MS&AD Insurance Group Holdings

Directors
Directors’ Skill Set Distribution

<table>
<thead>
<tr>
<th>Expertise in corporate management</th>
<th>Inside</th>
<th>Outside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting and finance</td>
<td></td>
<td></td>
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<tr>
<td>Law</td>
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<tr>
<td>Administration</td>
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<td>IT</td>
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<td>International experience</td>
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<td>Society and culture</td>
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<table>
<thead>
<tr>
<th>Knowledge in insurance company operations</th>
<th>Inside</th>
<th>Outside</th>
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<tbody>
<tr>
<td>Sales, market development, product planning</td>
<td></td>
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<tr>
<td>Claims support</td>
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<tr>
<td>Risk management, compliance</td>
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</table>

*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
- 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.

<table>
<thead>
<tr>
<th>Remuneration Structure</th>
<th>Fixed remuneration</th>
<th>Performance-linked remuneration</th>
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<tbody>
<tr>
<td></td>
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<td>Monetary remuneration</td>
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<tr>
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<td>Stock-based remuneration</td>
</tr>
<tr>
<td>Directors (excluding Outside Directors)</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>○</td>
<td>—</td>
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<tr>
<td>Audit &amp; Supervisory Board Members</td>
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Composition of Remuneration (Chairman/President and CEO)

Fixed 50%
- Fixed remuneration 50%

Variable 50%
- Performance-linked remuneration (monetary) 25%
- Performance-linked remuneration (stock-based) 25%
## 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.

<table>
<thead>
<tr>
<th>Financial indicators (single year)</th>
<th>Non-financial indicators (medium to long term)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Group Adjusted Profit</td>
<td>• Using SDGs as leading markers, our progress on the following CSV initiatives (key issues for sustainability)</td>
</tr>
<tr>
<td>• Consolidated Net Income</td>
<td>• Progress on the “key strategies” raised in Vision 2021, the Group’s medium-term management plan</td>
</tr>
<tr>
<td>• Group Adjusted ROE</td>
<td>● Pursue the Group’s comprehensive strengths</td>
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<td></td>
<td>● Promote digitalization</td>
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<td></td>
<td>● Reform the portfolio</td>
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</tbody>
</table>

### 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.
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.