

Governance

The MS&AD Insurance Group have established “Our Mission, Our Vision and Our Values” as aspirations that all Group officers and employees should prioritize in all aspects of their work, and we are working to disseminate these aspirations to all of the officers and employees of the Company and Group companies. In addition, we have set corporate governance, compliance, and risk management as priority issues within our Group Medium-Term Management Plan and are making active efforts to promote them.

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Outline of the Group

The MS&AD Insurance Group supports the business and life activities of its customers with the all-around capability of its Group companies.

Company Information



Financial and Non-Financial Highlights



- > Company Overview
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Group Structure



Our Business



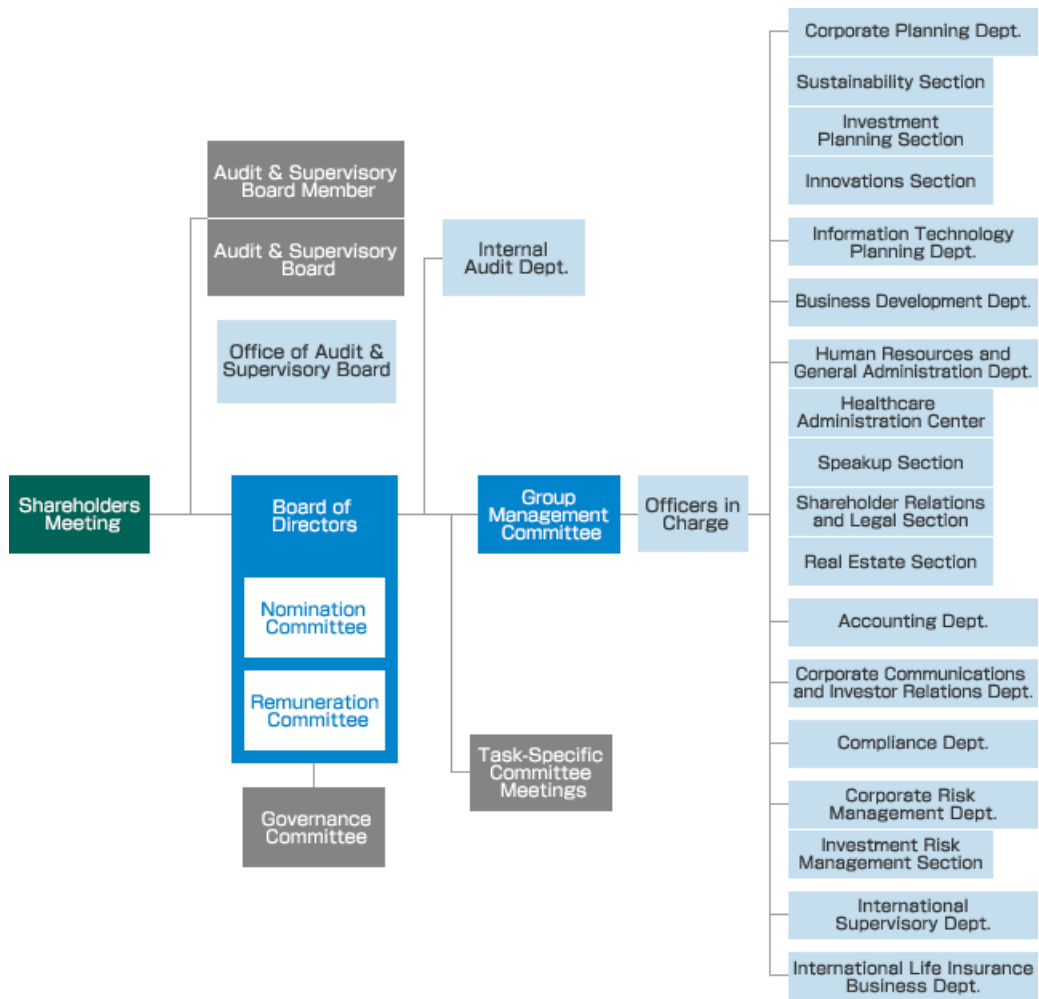
Company Overview

MS&AD Insurance Group Holdings, Inc. is the insurance holding company of the new Group formed in April 2010 through the merger of Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group.

The purpose of MS&AD insurance Group is to achieve sustainable growth and to enhance enterprise value through the creation of a world-class insurance and financial services group that operates globally, by rapidly and significantly improving quality and expanding its operating presence and corporate resources.

Corporate Name	MS&AD Insurance Group Holdings, Inc. Abbrev.: MS&AD Holdings
Date Established	Apr. 1, 2008 (Name changed in Apr. 1, 2010)
Headquarters	Tokyo Sumitomo Twin Building (West Tower) 27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan Map
Representative	Yasuyoshi Karasawa, Representative Director, President & CEO
Paid-in Capital	100,000,000,000 yen
Number of Employees	390(As of March 31, 2018)
Business Description	Our activities as an insurance holding company are: <ol style="list-style-type: none"> 1. Management of non-life and life insurance companies and companies qualified to become subsidiaries under insurance business law. 2. Any business associated with previous body.
Stock Listing	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)

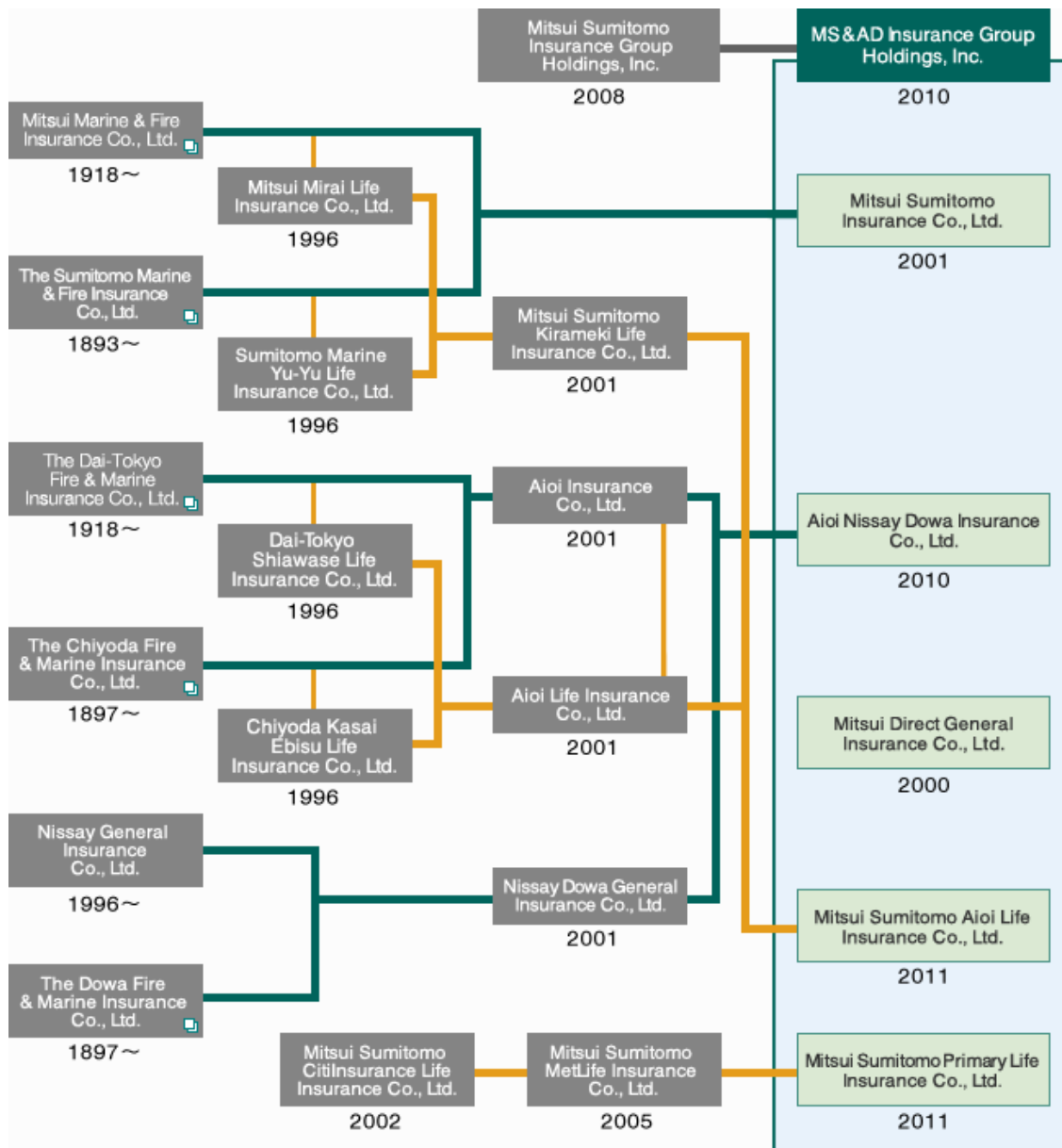
Organizational Chart



History


- ▼ Background of Group Integration
- ▼ History of Holdings

Background of Group Integration



History of Holdings

April 2008	Mitsui Sumitomo Insurance Group Holdings, Inc. is incorporated.
	Mitsui Sumitomo Insurance Group Holdings, Inc. Listed on Tokyo Stock Exchange and Osaka Securities Exchange and Nagoya Stock Exchange.
September 2009	Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group Holdings, Inc. reach basic agreement on business integration. In conjunction, announced integration plan, president of the holding company, address, descriptions and corporate name, etc.
April 2010	Mitsui Sumitomo Insurance Group Holdings, Inc. changed its name to MS&AD Insurance Group Holdings, Inc.
October 2010	Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. merged into "Aioi Nissay Dowa Insurance Co., Ltd."
April 2011	MS&AD Insurance Group Holdings, Inc. converted Mitsui Sumitomo MetLife Insurance Co., Ltd. into a wholly owned subsidiary and renamed it Mitsui Sumitomo Primary Life Insurance Company, Limited
October 2011	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd. merged into "Mitsui Sumitomo Aioi Life Co., Ltd."

[History of Mitsui Sumitomo Insurance \(link to website\)](#) 

Five Business Domains

Domestic Non-Life Insurance Business

No. 1 position in the domestic non-life insurance market, making groupwide efforts to comprehensively meet diverse customer needs

MS&AD Mitsui Sumitomo Insurance



MS&AD Aioi Nissay Dowa Insurance



MS&AD Mitsui Direct General Insurance



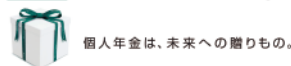
Domestic Life Insurance Business

Leveraging the distinctive strengths of two group companies in protection-type and asset-building products

MS&AD Mitsui Sumitomo Aioi Life Insurance



MS&AD Mitsui Sumitomo Primary Life Insurance



International Business

An overseas network covering 46 countries and regions*
- No. 1 in terms of non-life gross premiums written in the ASEAN region

A Member of **MS&AD INSURANCE GROUP**



*Excluding the Cayman Islands, where SLI Cayman Limited (Financial Services Business) is located. (As of April 1, 2018)

Financial Services Business

Leveraging the full range of its capabilities as an insurance and financial services group to provide new financial products and services

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD MS&AD Loan Services Co., Ltd.

MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.



Risk-Related Services Business

Creating synergies with the insurance business by deploying global risk solution services

MS&AD InterRisk Research Institute & Consulting, Inc.



MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

Fureai Do-Life Services Co., Ltd.

MS&AD Group companies that support the five business domains

MS&AD MS&AD Business Support Co., Ltd.

MS&AD MS&AD Business Service Co., Ltd.

MS&AD MS&AD Staffing Service Co., Ltd.

MS&AD MS&AD ABILITYWORKS Company, Limited

MS&AD MS&AD Systems Co., Ltd.

Group Structure

MS&AD Holdings is a listed holding company with five directly invested Group insurance companies in Japan: Mitsui Sumitomo Insurance Co., Ltd. (MSI), Aioi Nissay Dowa Insurance Co., Ltd. (ADI), Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct), Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (MSI Aioi Life) and Mitsui Sumitomo Primary Life Insurance Co., Ltd. (MSI Primary Life); and ten affiliated operating companies: MS&AD InterRisk Research Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staffing Service Co., Ltd., MS&AD Systems Co., Ltd., MS&AD Business Service Co., Ltd., MS&AD Loan Services Co., Ltd., ANSHIN DIAL Co., Ltd., MS&AD ABILITYWORKS Co., Ltd., MS&AD VENTURES INC, and JAPAN ASSIST INTERNATIONAL CO., LTD.

MS&AD Insurance Group Holdings, Inc.

[Company Overview](#)

[MITSUI SUMITOMO INSURANCE CO., LTD. \(MSI\)](#)

Responsible for non-life insurance business, which is a core business of the MS&AD Insurance Group, MSI is exercising its comprehensive capabilities to offer insurance and financial services business globally.

[Outline](#)

[AIOI NISSAY DOWA INSURANCE CO., LTD. \(ADI\)](#)

Responsible for non-life insurance business, which is a core business of the MS&AD Insurance Group, ADI is leveraging its strong relationships with the Toyota Group and the Nippon Life Group and engaging in business based on close relationships with local communities.

[Outline](#)

[MITSUI DIRECT GENERAL INSURANCE CO., LTD. \(Mitsui Direct General\)](#)

Mitsui Direct General is a non-life insurance company that specializes in directly selling personal voluntary automobile insurance to customers via the Internet and phone calls.

[Outline](#)

> MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (MSI Aioi Life) 

MSI Aioi Life is a life insurance company that offers protection-type life insurance products, while leveraging the Group's marketing network and customer base. The company is realizing a growth model that involves a combination of strategies to utilize unique marketing channels.


▼ Outline

> MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (MSI Primary Life) 

Specializing in the over-the-countersales via financial institutions, MSI Primary Life is a life insurance company that offers asset-building products centered on individual annuity insurance and whole life insurance.


▼ Outline

Directly Invested Affiliated Operating Companies

> MS&AD InterRisk Research & Consulting, Inc. 

InterRisk Research & Consulting is one of the major risk consulting companies in Japan. It provides companies and government entities with consulting, risk survey, research and investigation, information provision and other services related to diverse kinds of risks. With overseas bases in Singapore, Thailand, China, and Bermuda, the company is seeking to provide risk solutions throughout the world.

▼ Outline

> MS&AD Business Support Co., Ltd. 


MS&AD Business Support provides the MS&AD Insurance Group with such infrastructure support as printing and logistics and also provides employee welfare services and real estate management services, etc.

▼ Outline

> MS&AD Staffing Service Co., Ltd. 


As the MS&AD Insurance Group's comprehensive human resource company, MS&AD Staffing Service provides each Group company with human resource services and also dispatches and introduces staff to insurance agencies and other customers.

▼ Outline

> MS&AD Systems Co., Ltd. 

MS&AD Systems supports each MS&AD Insurance Group company by taking responsibility for information systems strategy and by planning, designing, developing, and operating information systems.

▼ Outline

> MS&AD Business Service Co., Ltd. 

MS&AD Business Service delivers contract administration services, services related to data entry, the creation of documents and forms, and other services to MS&AD Insurance Group companies.

▼ Outline

> MS&AD Loan Services Co., Ltd. 

MS&AD Loan Services provides customers within the Group with administration services for investments, loans and mortgage guarantee insurance, credit guarantee services, and loan services for individuals.

▼ Outline

> ANSHIN DIAL Co., Ltd. 

As a top-quality call center specializing in assistance services, ANSHIN DIAL provides such support services as roadside assistance and home assistance.

▼ Outline

> MS&AD ABILITYWORKS Co., Ltd. 

MS&AD Insurance Group is promoting diversity & inclusion by creating a working environment where employees with disabilities can fully utilize their potential and competence.

▼ Outline

> MS&AD VENTURES INC. 

MS&AD Ventures Inc. is a corporate venture capital firm. It seeks to invest in startups that may lead to new business models and technologies, enabling MS&AD Insurance Group to establish a competitive advantage as an innovation leader across different markets and global territories.

▼ Outline

> JAPAN ASSIST INTERNATIONAL CO., LTD. 

Japan Assist International offer various kinds of assistance services to all over the world as the assistance company that has the advantage of foreign languages.

▼ Outline

Corporate Governance


- ▼ Basic Policies on Corporate Governance
- ▼ Corporate Governance Stance
- ▼ Supervision System (Board of Directors)
- ▼ Support Systems for Outside Directors and Outside Audit & Supervisory Board Members
- ▼ Auditing
- ▼ Nomination and Remuneration
- ▼ Remuneration Committee
- ▼ Criteria for the Selection and Independence of Outside Directors and Outside Audit & Supervisory Board Members
- ▼ Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Related Matters

> Basic Policies on Corporate Governance

> Responses to the Corporate Governance Code

> Internal Control

> Internal Control Systems

> Corporate Governance Report (last update : November 19, 2019)  (734KB)

Basic Policies on Corporate Governance

- 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 enterprise value.
- To this end, the "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and 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.

Corporate Governance Stance

- As a company with a 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 acts in its oversight functions, while strengthening the functions of each 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 swift execution.

> Management Structure of MS&AD Insurance Group Holdings, Inc.

Supervision System (Board of Directors)

Role of the Board of Directors

- 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.
- The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return and capital, and aims to increase enterprise value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- 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.
- 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.

Composition of the Board of Directors

Composition of the Board of Directors

More than one-third of the Board of Directors which has twelve members (ten men and two women) are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management. We take into consideration overall balance of the Board of Directors in terms of expertise, experience, and capabilities of Directors and strive to ensure diversity, including that of gender. Please refer to Policies on the Board of Directors' Overall Balance of Expertise, Experience, Capabilities, Diversity, and Scale below.

Expected Roles of Outside Directors

Outside Directors are expected to perform the following roles:

- Provision 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 enterprise 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* and/or major shareholders
- Realizing supervising from a standpoint independent of management by fulfilling accountability for stakeholders, including shareholders

* 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.

Committees Comprised Mainly of Outside Directors / Providing Opportunities for Opinion Exchanges

Aiming to enable Outside Directors to engage freely in constructive discussions and opinion exchanges, we have formed the following committee and meetings.

- Governance Committee (meets about twice a year)
- Outside Directors Council
- Outside Directors and Outside Audit & Supervisory Board Members Joint Council

Support Systems for Outside Directors and Outside Audit & Supervisory Board Members

Support for the activities of the Outside Directors is provided by the Corporate Planning Department, and support for the Outside Audit & Supervisory Board Members is supplied by the Internal Audit Department. The agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings by the Corporate Planning Department, which acts as the secretariat for the Board of Directors. In addition, information, such as important risk information, is reported on an ongoing basis to all Directors and Audit & Supervisory Board Members, internal and external.

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.

Auditing

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 establishing good corporate governance 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 comprises two Audit & Supervisory Board Members (Full-time) and two Outside Audit & Supervisory Board Members, for a total of four members (two men and two women). 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](#)”.
- 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.

Internal Auditing

- The Company has established the “MS&AD Insurance Group Basic Policy for Internal Audits.” Under this basic policy, the Company and domestic Group insurance companies have formed the Internal Audit Department that acts as an independent body with auditing functions.
- The Company’s Internal Audit Department has been established as an organization to report directly to the Board of Directors. The General Manager of the Internal Audit Department (General Manager of the Audit Department) shall report important matters that have been discovered as a result of internal audits of the Company and domestic Group insurance companies to the Board of Directors and the Group Management Committee. In addition, the Internal Audit Department cooperates with auditing conducted by the Audit & Supervisory Board Members.

Accounting Auditors

- The Company has appointed KPMG AZSA LLC as its independent audit corporation. Please note that there are no special conflicts of interest between this company and MS&AD Holdings.
- The Board of Directors and the Audit & Supervisory Board endeavor to take appropriate action to ensure adequate auditing by the Accounting Auditors.
- The Audit & Supervisory Board makes decisions regarding proposals submitted to the General Shareholders' Meeting on the appointment or dismissal of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.
- The Audit & Supervisory Board prepares criteria for appropriately selecting and evaluating Accounting Auditor. To promote appropriate accounting by the Accounting Auditors, measures are taken to confirm the independence, specialist capabilities, and other requisite characteristics of the Accounting Auditors.

Accounting Auditor Remuneration

(¥ million)

Scope	FY2017		FY2018	
	Compensation for audit services	Compensation for non-audit services	Compensation for audit services	Compensation for non-audit services
The Company	60	10	66	32
Consolidated subsidiaries	394	21	408	43
Total	454	32	474	75

* Regarding the content of non-audit services for which the Company paid compensation to the accounting auditor, in fiscal 2017 and 2018, these included expert guidance and advisory services towards the application of IFRS.

Nomination and Remuneration

For the purpose of maintaining high transparency, the Company has formed the Nomination Committee and Remuneration Committee as internal committees of the Board of Directors. Please note that these two committees comprise seven members each, and the chairpersons and other members are appointed from among members of the Board of Directors. With respect to each of the two committees, a majority of the members and the chairperson have been appointed from among the Outside Directors.

Nomination Committee (Nomination Process)

- The Nomination Committee deliberates on major 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.
- With respect to the evaluation of candidates for Director and candidates for Executive Officer, evaluation items include performance evaluations (corporate performance and personal performance) and other items.
- The Board of Directors appoints candidates for Director as well as candidates for Audit & Supervisory Board Member and Executive Officers based on advice from the Nomination Committee. The consent of the Audit & Supervisory Board must be obtained for candidates for Audit & Supervisory Board Member. In fiscal 2019, the Committee has seven members made up of all five outside directors, the Chairman of the Board and the President.
- From the perspective of making effective discussions to strengthen corporate governance at the Nomination Committee, policy for selecting candidates for Directors and Audit & Supervisory Board Members is added to the deliberation items. It has been clarified that the Nomination Committee shall meet about twice a year.
- In fiscal 2018, the Nomination Committee met three times, and held a discussion on the Succession Plan etc.

Remuneration Committee

- This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for management of domestic insurance companies in which the Company has direct investments.
- From the perspective of making effective discussions to strengthen corporate governance at the Remuneration Committee, policy for remuneration of Directors and Executive Officers is added to the deliberation items. It has been clarified that the Remuneration Committee shall meet about twice a year.
- In fiscal 2019, the Remuneration Committee met four times.

Remuneration Determination Processes

1. Amount of Directors' Remuneration

(1) Determination Processes

Remuneration for each Director is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, long-term contribution to corporate profits and enterprise value, the level of compensation appropriate for competitiveness as a global corporation, and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, considers remuneration amounts, and the final decisions are made by the Board of Directors. The Remuneration Committee deliberates on the policy on remuneration for the Company's Directors and Executive Officers. The Board of Directors respects the advice of the Remuneration Committee to the maximum extent.

(2) Composition of Remuneration

Remuneration for Directors (excluding Outside Directors) consists of fixed compensation and performance-based remuneration. The standard ratio of performance-based remuneration is 50% to 30% of the total remuneration amount, according to position. Performance-based remuneration is composed of monetary remuneration and stock-based compensation, and the standard ratio of stock-based compensation is 9% to 25% of the total remuneration amount, according to position (revised in April 2019). Outside Directors receive fixed compensation only because they are independent from business execution.

(3) Key Performance Indicators for Remuneration

Performance-based remuneration shall be linked with the business performance of the Company and determined based on the results of key performance indicators (KPIs).

These indicators are selected in accordance with the Group's Medium-Term Management Plan, "Vision 2021".

(Main KPIs)

<Financial indicator (single-year performance)>

- Group Adjusted Profit (Note)
- Consolidated Net Income
- Group Adjusted ROE

Note: For Group Adjusted Profit, please refer to (15)a "Disclosure Based on the Principles of the Corporate Governance Code", above.

<Non-financial indicator (medium term performance)>

- Achievement status of initiatives "Sustainability Priority Issues" aimed at Creating Shared Value (CSV) with society using SDGs as the guideposts including "create accident-free and comfortable mobility society" and "contributing to mitigation and adaptation of climate change", etc.
- Achievement status of "Key Strategies" (Pursue Group's comprehensive strength, Promote digitalization and Reform portfolio) in the Medium-Term Management Plan "Vision 2021"

The ratio between the financial indicator and non-financial indicator shall be 50 : 50 as the standard and the financial indicators and non-financial indicator vary within a range of 0 to 3.0 and 0.5 to 1.5, respectively, with 1.0 as the standard.

Restricted stock shall be provided as stock-based compensation and in principle, the transfer restrictions shall be released upon retirement of the related Director.

If it is found that a Director was involved in a fraudulent act while in office, the Company acquires the restricted stock for free during the transfer restriction period or the Director is made to return it after the transfer restriction is released.

(4) Maximum Total Compensation

As a result of decisions made by the Shareholders' Meeting, maximum total annual compensation for Directors (excluding any salaries for work performed by Directors concurrently in employee positions) is set at ¥500 million (including a total allocation of ¥100 million for Outside Directors). With a separate framework, the remuneration of Directors (excluding Outside Directors) includes "total amount of monetary remuneration receivables provided for allotting restricted stock" with a maximum value of ¥200 million per year.

2. Amount of Audit & Supervisory Board Members Remuneration

(1) Determination Processes

Remuneration for Audit & Supervisory Board Members is set within overall limits approved by the Shareholders' Meeting. Consideration is given to whether Audit & Supervisory Board Members are full-time or part-time, their share of the auditing activities, and the content and level of remuneration of Directors. Decisions on remuneration levels are decided in discussions among the Audit & Supervisory Board Members.

(2) Composition of Compensation

Audit & Supervisory Board Members receive fixed compensation only because they are independent from business execution.

(3) Maximum Total Compensation

As a result of decisions made by the Shareholders' Meeting, maximum total compensation for Audit & Supervisory Board Members is set at ¥110 million.

Performance-Based Remuneration and Stock Option System

- The Company has introduced performance-based remuneration (linked to corporate and personal performance) into its corporate officer remuneration system.
- In order to realize a director remuneration system functioning as an appropriate incentive for improving linkage between director remuneration and business performance and achieving sustainable growth for the purpose of strengthening governance and increasing medium term corporate value of the Group, the Company has introduced a restricted stock remuneration plan for Directors (excluding Outside Directors). The plan involves granting treasury stock or new stock (allotment of restricted stock) by replacing a portion of the Company's performance-based monetary remuneration with monetary remuneration receivables provided by means of contribution in kind.
- The Company introduced the same system as mentioned above and granted treasury stock or new stock (allotment of restricted stock) to the Company's executive officers and the Directors (excluding Outside Directors) and Executive Officers of Group domestic insurance companies in which the Company has direct investments, by replacing a portion of the Company's performance-based monetary remuneration with monetary remuneration receivables provided by means of contribution in kind.

Directors' and Audit & Supervisory Board Members' Remuneration

We disclose the total amounts of remuneration to all Directors and to all Audit & Supervisory Board Members according to the category (Directors/Audit & Supervisory Board Members) and according to the types of remuneration. We also disclose total amounts of consolidated remuneration to officers amounting to 100 million yen or more.

Remuneration for fiscal 2018 is prior to the revision of the system. The standard ratio of performance-based remuneration was 40% to 20% of the total remuneration amount, according to position, and the standard ratio of stock-based compensation was 10% to 20% of the total remuneration amount, according to position.

Performance-based remuneration is calculated based on the Group Adjusted Profit and consolidated net income, and stock-based compensation consists of the allocation of stock acquisition rights as stock compensation-type stock options.

Total Amount of Remuneration by Directors/Audit & Supervisory Board Members Category, and the Number of Recipients (fiscal 2018)

Category	Number	Total Remuneration (¥ million)
Directors (excluding Outside Directors)	9	238
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	51
Outside Directors/Audit & Supervisory Board Members	9	76

(Note) The total remuneration figures are the portion of the Company. All remuneration is total amount of basic remuneration and stock option.

Persons with consolidated Remuneration (including remuneration for corporate officer posts at main subsidiaries, etc.) of ¥100 Million or More (fiscal 2018)

Name	Corporate Officer Posts	Company	Total consolidated remuneration, etc. (¥ million)
Yasuyoshi Karasawa	Director	The Company	131
	Director	MSI	
Noriyuki Hara	Director	The Company	131
	Director	MSI	
Yasuzo Kanasugi	Director	The Company	103
	Director	ADI	

Criteria for the Selection and Independence of Outside Directors and Outside Audit & Supervisory Board Members

1. Policies on the Board of Directors' Overall Balance of Expertise, Experience, Capabilities, Diversity, and Scale

- Five of the twelve Directors (ten men and two women) and two of the four Audit & Supervisory Board Members (2 men and 2 women) have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management. Please note that there are no concerns that the interests of these Outside Directors and Outside Audit & Supervisory Board Members of the various companies will be in conflict, in terms of human, capital, transactions, or other relationships, with the interests of shareholders in general. These Directors and Audit & Supervisory Board Members are independent, and their names as independent outside officers have been filed with the Tokyo Stock Exchange Co., Ltd., and Nagoya Stock Exchange Co., Ltd.
- Outside Director candidates must satisfy the eligibility requirements as defined in the Companies Act and the Insurance Business Act. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise such as that stemming from experience working as a general business company corporate officer, government administration officer, lawyer, and academic as well as specialized expertise regarding social, cultural, and consumer issues.
- Director candidates other than Outside Director candidates must meet legal eligibility requirements. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise, such as that stemming from extensive experience working as a manager in an insurance company as well as on consideration of varied experience, highly specialized experience, and the ability to exercise leadership in accordance with the Company's corporate philosophy.
- At least one candidate for Audit & Supervisory Board Member must have sufficient knowledge of accounting or finance.

2. Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates and Criteria for Determining the Independence of Outside Corporate Officers

- Outside Director candidates must satisfy the eligibility requirements as defined in the Companies Act and the Insurance Business Act. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise such as that stemming from experience working as a finance-related government administration officer, general business company corporate officer, lawyer, and academic as well as specialized expertise regarding social, cultural, and consumer issues.
- Director candidates other than Outside Director candidates must meet legal eligibility requirements. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise, such as that stemming from extensive experience working as a manager in an insurance company as well as on consideration of varied experience, highly specialized experience, and the ability to exercise leadership in accordance with the Company's corporate philosophy.
- In addition, the Company has instituted the "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" below. The determination of "independence" when selecting Outside Director candidates is undertaken in accordance with the criteria described in section "1. (3) Independence" below.

Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates

1. Outside director candidates and outside Audit & Supervisory Board Member candidates

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or Audit & Supervisory Board Member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or Audit & Supervisory Board Member of an insurance holding company pursuant to the Insurance Business Act.
- Must have a sufficient level of public credibility.
- An outside Audit & Supervisory Board Member must satisfy the eligibility requirements for a Audit & Supervisory Board Member pursuant to the Insurance Business Act.

Additionally, candidates must satisfy the following three requirements

(1) Eligibility

A candidate must have the qualities listed below that are necessary to monitor the overall management of the company and provide advice, based on a general knowledge of company management and a basic understanding of the roles of the directors and board of directors.

- Ability to discern facts from materials and reports
- Capability to detect problems and risks and apply own knowledge to solve them
- Capacity to appropriately monitor business strategy and provide advice
- Mental independence to openly question, debate, re-examine, continuously deliberate, and propose ideas in opposition to a resolution

(2) Expertise

Must have knowledge in a specialized field such as management, accounting, finance, law, administration, or social/cultural affairs, and have a record of achievement in that field.

(3) Independence

The following persons are ineligible.

[1] An executing person of the Company or a subsidiary of the Company.

[2] A director or Audit & Supervisory Board Member of a subsidiary of the Company.

[3] A person for whom the Company is a major business partner (i.e. a person who received payments from the Company or subsidiaries of the Company that represent 2% or more of annual consolidated sales for the most recent fiscal year), or an executing person thereof (in the case of a consulting firm, auditing firm or law firm, a consultant, accounting professional, or legal professional who belongs to said corporation, partnership, etc.).

[4] A major business partner of the Company (i.e. a person who made payments to subsidiaries of the Company representing 2% or more of the Company consolidated direct premiums written excluding deposit premium from policy holders for the most recent fiscal year), or an executing person thereof.

[5] Any of the Company's top 10 largest shareholders (or, if the shareholder is a corporation, an executing person thereof).

[6] An executing person of a company to which the Company or a subsidiary of the Company has appointed a director.

[7] A consultant, accounting professional, or legal professional who has received, other than officer compensation, average cash or other financial benefits of at least 10 million yen per year for the past three years from the Company or subsidiaries of the Company.

[8] A person falling under any of the items [2] through [7] during the past five years.

(Note) "During the past five years" means five years from the time the content of a proposal to the General Shareholders Meeting to elect the outside director or outside Audit & Supervisory Board Member was resolved by the Board of Directors.

[9] An individual who was an executing person of the Company or subsidiaries of the Company in the past (in the case of an outside Audit & Supervisory Board Member, including an individual who has been a director of the Company or a subsidiary of the Company.)

[10] A spouse or second-degree or closer relative of a person listed in items [1] through [9] above (an executing person means an executive director, executive officer or an employee in a position of general manager or higher.)

(4) Term limits

The total terms of office for newly elected outside directors and outside Audit & Supervisory Board Members from April 1, 2015 onwards are as listed below.

[1] For outside directors, the expectation is 4 terms, 4 years, renewable for a maximum of 8 terms, 8 years.

[2] For outside Audit & Supervisory Board Members, in principle the total term is 1 term, 4 years, but this is renewable for a maximum of 2 terms, 8 years.

2. Candidates for director other than outside director and candidates for Audit & Supervisory Board Member other than outside Audit & Supervisory Board Member

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or Audit & Supervisory Board Member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or Audit & Supervisory Board Member of an insurance holding company pursuant to the Insurance Business Act.
- Must satisfy the eligibility requirements for a director or Audit & Supervisory Board Member who engages in daily business at an insurance company pursuant to the Insurance Business Act.

Additionally, a candidate must have varied experience as well as highly specialized experience and must embody our corporate philosophy in the exercise of leadership.

Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Related Matters

Outside Directors

Name	Date of Selection	Reason for Selection	Attendance at Board of Directors Meetings*
Mari Matsunaga	June 2012	<p>Ms. Mari Matsunaga was a chief editor of magazines and was involved in planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas.</p> <p>We appointed her as Outside Director in order to continue to draw on her knowledge and experience in the management of the Company.</p>	11 of 12 meetings
Mariko Bando	June 2017	<p>Ms. Mariko Bando previously served as Director General of Gender Equality Bureau of the Cabinet Office, Consul General of Japan in Brisbane, Australia, President of Showa Women's University, etc. She has broad knowledge and experience in public administration and education, as well as wide insight into promotion of diversity. She has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on her knowledge and experience. We appointed her as Outside Director in order to draw on her knowledge and experience in the management of the Company.</p>	11 of 12 meetings
Akira Arima	June 2018	<p>Mr. Akira Arima previously served as Director of Nippon Telegraph and Telephone Corporation, President, Chief Executive Officer of NTT Communications Corporation, etc. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his broad knowledge concerning telecommunications business and experience as a management executive.</p> <p>We appointed him as Outside Director in order to draw on his knowledge and experience in the management of the Company.</p>	10 of 10 meetings
Kazuhiro Ikeo	June 2018	<p>Mr. Kazuhiro Ikeo has held a number of posts, including university professors and members of the Financial Services Agency's Financial System Council. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his broad knowledge and experience concerning economic and financial fields as well as financial administration.</p> <p>We appointed him as Outside Director in order to draw on his knowledge and experience in the management of the Company.</p>	9 of 10 meetings
Junichi Tobimatsu	June 2018	<p>Mr. Junichi Tobimatsu has a wealth of knowledge and experience concerning overall corporate legal affairs including those overseas companies as an attorney-at-law and has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his broad knowledge and experience. We appointed him as Outside Director in order to draw on his knowledge and experience in the management of the Company.</p>	10 of 10 meetings

* The number of Board of Directors' meetings attended during fiscal 2018.

Outside Audit & Supervisory Board Members

Name	Date of Selection	Reason for Selection	Attendance at Board of Directors/ Audit & Supervisory Board Members
Kunio Chiyoda	June 2016	Mr. Kunio Chiyoda is an expert in accounting and auditing and has served as a university professor and a member of a public institution. We appointed him as Outside Audit & Supervisory Board Member to reflect his wealth of knowledge and experience in the management of the Company.	Board of Directors meetings: 12 of 12 Audit & Supervisory Board meetings: 11 of 11
Kyoko Uemura	June 2017	Ms. Kyoko Uemura is a legal expert. She previously served as a judge and practices law as an attorney-at-law. We appointed her Outside Audit & Supervisory Board Member to reflect her wealth of knowledge and experience in the management of the Company.	Board of Directors meetings: 12 of 12 Audit & Supervisory Board meetings: 11 of 11

* The number of Board of Directors' meetings and Audit & Supervisory Board meetings attended during fiscal 2018.

[Corporate Governance Report \(last update : June 27, 2019\) !\[\]\(fa6f3af6bfa46c5d4a2d362681095beb_img.jpg\) \(530KB\)](#)

[Internal Control](#)

Compliance

Compliance Basic Policy

We formulated the Compliance Basic Policy and "MS&AD Insurance Group Compliance Basic Policy" which is compliance criterion of the Basic Policy. Based on this Basic Policy or each policy, we and MS&AD insurance companies work positively to develop thorough compliance. All officers and employees carry out our social responsibility with responding to confidence of all the stakeholders including customers through the corporate activities based on the high ethical sense without failing to comply with laws and company internal rules.

- MS&AD Insurance Group Compliance Basic Policy
- Basic Policy Concerning Antisocial Forces
- Basic Policy for Management of Conflicts of Interest

Compliance Promotion Structure

The Company has formed Quality Improvement and Compliance Committee, as one of the task-specific committees under the Board of Directors, to monitor as well as discuss and make necessary adjustments in the compliance structure. For important matters related to compliance, Quality Improvement and Compliance Committee reports to the Board of Directors after discussion in the committee.

The Company established its Compliance Department as the organizational unit to integrate and manage Group compliance matters. This department is responsible for integrating compliance initiatives within the Company and domestic Group insurance companies.

Each unit in the domestic Group insurance companies that is in charge of compliance matters is responsible for the preparation and implementation of policies, internal rules, and measures related to compliance and for planning and operating activities related to business operating rules pertaining to insurance solicitation and sales. These units are also the focal points for fact finding and confirmation as well as conducting investigations related to activities where there are concerns about violations of internal rules and other compliance issues.

Activities

Compliance Program

We and MS&AD insurance companies, as a part of the compliance implementation plan, resolve the Compliance Program at the Board Meetings and pursue the specific issues. The implementation and issues of the Program and responding issues are regularly submitted to each company's Compliance Committee and/or the Board Meetings.

Compliance Manual

We and MS&AD insurance companies have each Compliance Manual that states their compliance-related policies and regulations, with examples and interpretations, for board members and employees. The Manual is distributed to board members and employees, and its content is familiarized through training and examinations. Procedures for reporting inappropriate behavior is stipulated in the Manual for the speedy handling of misconduct.

Compliance-related Training

Based on the Compliance Program, we and MS&AD insurance companies organize annual education / training programs for employees and agencies to raise the knowledge of laws and company internal rules and to enhance the knowledge of compliance.

Compliance-related Inspection

MS&AD insurance companies conduct compliance-related inspections for prevention and early detection of unlawful acts that may violate laws or company internal rules.

Monitoring Group Companies

The Compliance Department monitors and reports on compliance-related activities of MS&AD insurance companies. Group Compliance Division Meetings are held to share knowledge and know-how on compliance-related issues in order to reinforce compliance throughout the group.

Speak-up system (Whistleblowing system)

The MS&AD Insurance Group has established the Speak-up system (whistleblowing systems) . Group company employees can contact the speak-up desk to make a report if a compliance-related issue arises. A contact desk has also been established at an external legal office to make it easier for whistleblowers to speak up a case. The identity of whistleblowers is protected and their information is handled carefully to protect them and ensure that they do not suffer any unfair treatment.

Anti-Money Laundering and Countering the Financing of Terrorism

The MS&AD Insurance Group has formulated a “Policy on the Anti-Money Laundering and the Countering Financing of Terrorism” and is promoting initiatives to prevent the products and services of Group companies from being used in money laundering or the financing of terrorism.

Moreover, measures to prevent money laundering and the financing of terrorism are implemented at overseas entities of the MS&AD Insurance Group, where “Guidelines on Measures for Anti-Money Laundering and Counter Financing of Terrorism” are stipulated in the “Compliance Manuals for International Operations”.

Prevention of Corruption and Bribery

The MS&AD Insurance Group has formulated a “Policy on Fair Operating Practices” and implements fair operating practices (“prevention of Corruption including bribery” and “compliance with laws and regulations regarding political activities and political funds”). Actually at the overseas entities of the MS&AD Insurance Group, “Guidelines on Anti-Bribery Measures” are also stipulated in the “Compliance Manuals for International Operations” and the establishment of adequate rules and training is implemented.

[> Policy on Fair Operating Practices](#)

Compliance Promotion Structure in International Business Operations

All executives and employees of the overseas offices of the MS & AD Insurance Group give top priority to compliance and respect the culture, customs, and history of their respective countries and regions, as well as act in a manner that contribute to the development of the community.

As a department that supervises and manages matters related to compliance at overseas offices of the Group, the Company established the International Supervisory Department to monitor the status of compliance-related initiatives of these overseas offices, while providing them guidance and support.

This department works with the Compliance Department, which is in charge of overall integration of Group companies' compliance matter, to provide periodic reports regarding the status of overseas compliance framework to the Company's Board of Directors, also engages in activities to improve and expand the overseas compliance promotion structure based on the discuss with other relevant departments.

Tax compliance efforts

Our Global Tax Strategy

In achieving a resilient and sustainable society, we believe that MS&AD Insurance Group should build trust as a social entity by supporting people live in stability and encouraging companies develop their business. We believe that is the basis of insurance business and our value to become a trusted and reliable partner.

In order to earn the trust from the society, we always consider tax compliance. The environment surrounding taxation has changed significantly in recent years, with the increasing focus on securing transparency in taxation as corporate responsibility and strengthening the international tax framework. Our Group believes it is important as a responsible insurer to fully recognize the importance of fair and transparent taxation and to disclose the Group's approach to and initiatives for tax compliance.

■MS&AD Insurance Group Tax Policy

Our Group has made a fair allocation of tax payments and filings in full compliance with the spirit of the relevant tax laws and regulations of each country where we operate.

In April 2018, the Board of Directors adopted the "MS&AD Insurance Group Tax Policy" in order to ensure that each and every employee of the Group has a high ethical standard concerning taxation and to implement appropriate tax practice and procedures.

Pursuant to the "Tax Management Principles" (please see below), MS&AD Insurance Group will promote a greater awareness of tax compliance to build trust from all stakeholders by ensuring to act transparently in each jurisdiction.

Basic Policies ("Tax Management Principles")

1. MS&AD Group values the trust and confidence of its stakeholders and is committed to managing tax matters with integrity and responsibility while recognizing the importance and social significance of appropriate tax payments.
2. MS&AD Group, in performing our business operations, complies with all applicable tax laws and the relevant regulations of each jurisdiction in which it operates.
3. MS&AD Group is committed to both optimizing tax-related costs as well as making appropriate tax filings and tax payments.
4. MS&AD Group does not conduct any transactions only intended to avoid tax without business purposes in a way contrary to the national and local tax laws.
5. MS&AD Group develops and maintains trusting relationships with the tax authorities in each jurisdiction in which it operates through sincere and transparent behavior in a timely and appropriately cooperative manner.

Our Approaches Underpinned by Tax Management Principles**■Global tax governance framework**

Based on "MS&AD Insurance Group Tax Management Principles", MS&AD Insurance Group will implement and strengthen its tax governance framework led by the parent company in order to thoroughly manage tax compliance at a global level.

■Tax transfer pricing

We understand the purpose of the OECD's BEPS (Base Erosion and Profit Shifting) project. We are committed to ensuring that we meet our tax obligation in the jurisdictions where we engage in business activities. Intragroup transactions are conducted at appropriate prices determined on an arm's length basis under the group transfer pricing policy. We pay a fair allocation of taxes corresponding to profits reported to the tax authorities in the jurisdictions where value is created within commercial activity.

■Tax planning

We do not conduct tax planning only intended to avoid tax, such as through the transactions or organizations without business purposes or economic substance, using tax-free or low tax jurisdictions (known as tax havens).

Current income tax by country and region (FY2018)

(Unit : 100 million yen)

Country & Region	Ordinary Income	Income before Tax	Current income tax	
				Share
Japan	48,373	3,057	837	94.5%
Asia	2,085	341	38	4.3%
Europe	6,025	▲ 161	▲ 5	▲0.5%
Americas	717	103	15	1.7%
Consolidation adjustments	▲ 2,197	▲ 541	-	-
Amount on the consolidated financial statements	55,004	2,798	886	100%

*The above table is based on the consolidated financial statements issued by our group.

*Income tax paid for our flagship countries (FY2017)

(Unit : 100 million yen)

Country	Income tax paid
Japan	1,196
U.K.	17

ERM and Risk Management

Group Management Based on ERM

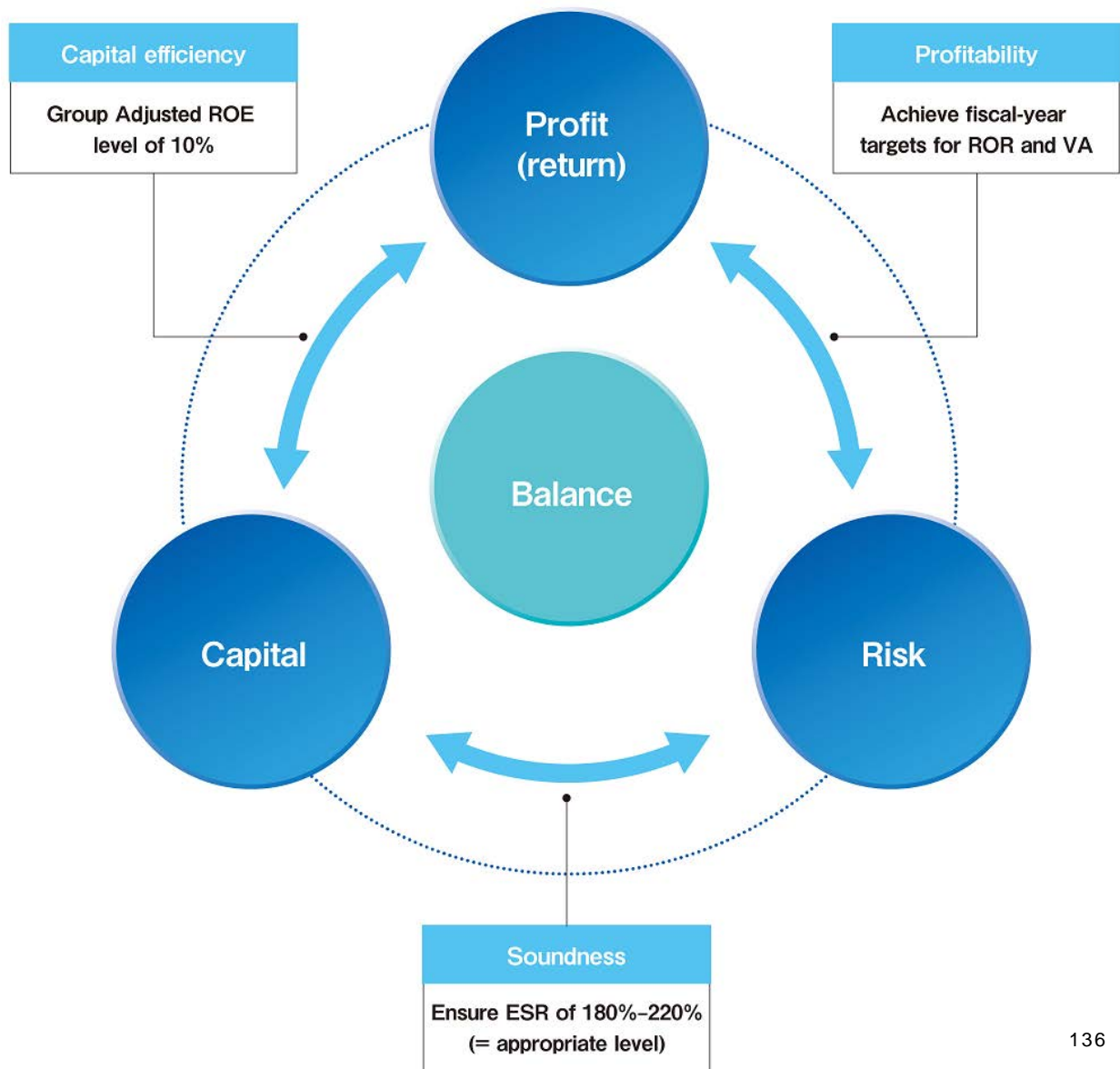
The function of ERM (Enterprise Risk Management) is to control the balance among three key management indicators: profit (return), risk and capital. The MS&AD Insurance Group positioned ERM as a driver in the previous medium-term management plan, "Next Challenge 2017," establishing a platform for Group management.

Under the current medium-term management plan "Vision 2021," MS&AD is pushing forward with initiatives to improve profitability and capital efficiency, while ensuring soundness, and base Group management on the ERM cycle.

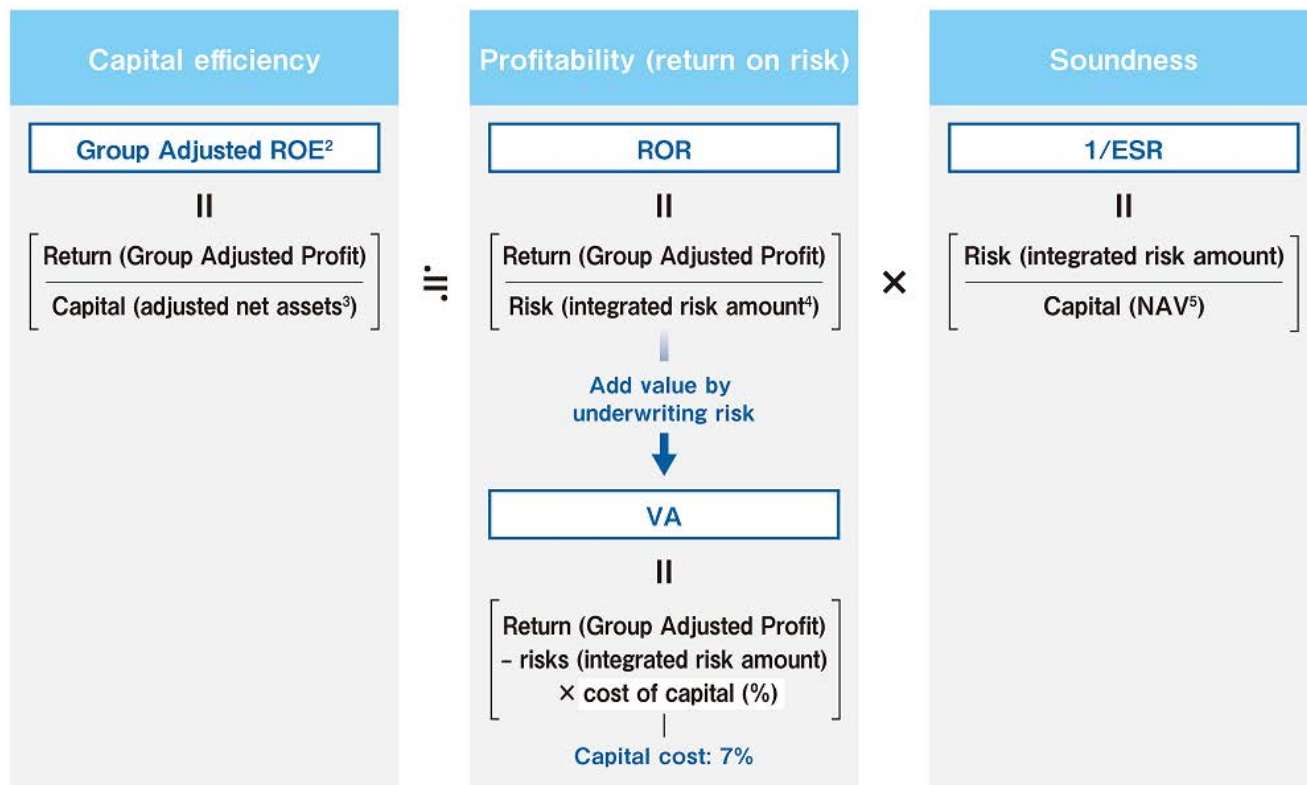
Function and Role of ERM

When pursuing profits through risk-taking, ERM considers opportunities with high ROR (Return on Risk) or means of increasing ROR and seeks to achieve the target return on equity (ROE) while maintaining the soundness of capital(ESR1). The relationship between these three is outlined in the following figure.

1. ESR: Economic Solvency Ratio (economic value-based solvency ratio) = NAV/Integrated risk amount



Indicators Emphasized in ERM



2. Group Adjusted ROE = Group Adjusted Profit ÷ Average of adjusted net assets (Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets) at the start and end of the fiscal year
3. The adjusted net assets used to calculate Group Adjusted ROE is the average of consolidated net assets plus catastrophe loss reserves and others minus goodwill and other intangible fixed assets at the start and end of the fiscal year.
4. Integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years. It is marked to market value.
5. Net asset value is an indicator used as a management buffer to enable thorough net asset management. In addition to adjusted net assets, it includes such items as unrealized insurance liabilities, other equity liabilities, etc.

ESR (Economic Solvency Ratio)

ESR is an indicator of capital adequacy with respect to the risk amount.

(¥ billion)

Risk amount is calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. The Group uses a recurrence interval of 200 years for the maximum foreseeable loss (in other words, losses will not exceed this value for 199 out of 200 years).

	March 31, 2018	March 31, 2019	Change from previous year
ESR	211%	199%	(12 pt)
NAV	4,800.0	4,600.0	(200.0)
Integrated risk amount	2,200.0	2,300.0	+100.0

ROR (Return on Risk)

To assume risk, it is necessary to secure the capital that balances that risk. Consequently, in business where ROR is high (in other words, business where profit is large relative to the risk assumed), the profit that can be earned is large relative to the capital necessary.

VA (Value Added)

Value Added (VA) indicates how much value can be generated with respect to the risks assumed.

While ROR (Return on Risk) indicates the rate of return that can be obtained with respect to the risks assumed, VA is an indicator of absolute value.

ERM and Risk Management

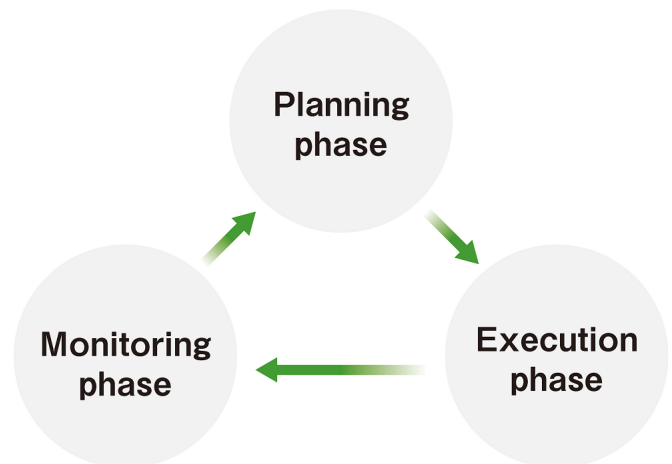
The MS&AD Insurance Group formulates management plans in accordance with the Group Risk Appetite Statement with the aim of improving profitability and enhancing capital efficiency while ensuring soundness based on the ERM cycle. Capital is allocated in accordance with the ERM cycle and the risks assumed, and by monitoring return on risk (ROR)* for the risks assumed we take steps to strengthen our risk controls and underwriting.

*ROR = Group Adjusted Profit/Integrated risk amount

ERM Cycle

ERM is implemented through the planning, execution and monitoring phases.

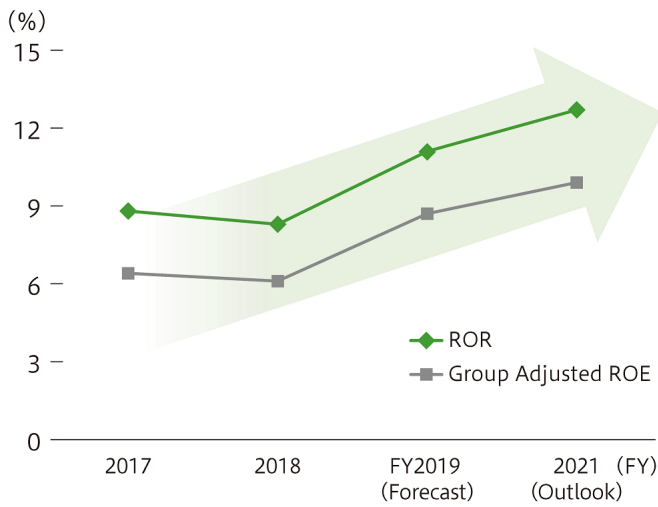
Planning phase	<ol style="list-style-type: none"> 1 Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts based on the level of assumable risk.
Execution phase	<ol style="list-style-type: none"> 2 Take risks within the risk limits based on the capital allocation amounts.
Monitoring phase	<ol style="list-style-type: none"> 3 Conduct regular monitoring of financial soundness, profitability and capital efficiency. 4 Based on the outcome of monitoring, examine and implement any necessary measures.



Initiatives to Improve ROR

Trends in ROR, which is an indicator of the profits that can be earned on risks assumed, are a proxy for the earnings power of the Group's risk portfolio. The MS&AD Insurance Group is working to improve ROR based on the ERM cycle and aims to achieve Group Adjusted ROE of 10% in fiscal 2021.

ROR Outlook



Initiatives to Improve ROR

Domestic Non-Life Insurance Business	Subdivide the monitoring targets and aim to secure a return in accordance with capital costs
Domestic Life Insurance Business	Develop products mainly geared toward the domestic low-interest rate environment
International Business	Strengthen existing businesses centered on MS Amlin and diversify our business portfolio geographically and by class
Asset Management (excluding strategic equity holdings)	Improve returns by expanding and diversifying investment assets

Control of Risk

The MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy, which underpins the common risk management exercised throughout the Group. Specifically, the policy identifies the principal types of risk with an impact on the Group's business portfolio, stipulates how risk factors are to be evaluated both quantitatively and qualitatively, and promotes risk management based on those evaluations.

Risk Management

- Risk Management Basic Policy
- Risk Management Structure
- Insurance Business Risks
- Risk Management in International Business
- Crisis Management System (Including Business Continuity Management System)

Specifying Risks

The Group specifies material risks that affect management as follows in fiscal 2019.

Group Material Risks

The Group identifies material risks to be controlled by management, formulates a Management Action Plan and regularly monitors the status with respect to individual risk.

FY2019

Occurrence of a large-scale natural catastrophe in Japan or overseas

Sharp fluctuations in financial markets in Japan or overseas

Increase in credit risk and nonperforming loans

Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility

Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, the payment of insurance, and the frequent occurrence of large-scale leaks and illicit use of personal information and confidential information

Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development plan-related progress delays, shortfalls, budget overruns and expected effects being unrealized

Pandemic of a new highly toxic strain of influenza

Group Emerging Risks

Group Emerging Risks are defined as events that could affect the Group business from a medium- to longer-term perspective and events that could affect the Group business that management should be aware of but are difficult to measure in terms of scale and timing. We regularly monitor Group Emerging Risks.

FY2019

Declining birthrate and aging population, advances in medical technology

Resource depletion

Climate change

Environmental damage

Trends in new technologies and mechanisms (including the spread of IoT, sharing economy) that significantly alter the economy and consumer behavior

Newly established/revised domestic and overseas laws and systems

Major changes to domestic labor supply-demand

National governance/political turmoil, dysfunction, collapse, interstate conflict

Japanese security crisis

Declining Birthrate and Aging Population

The domestic insurance market will contract as the birthrate declines and the population ages, but growth in the elderly population and longer life spans have created new needs for insurance. The Group is continuously developing new products and services that support people's health and longevity that include providing "Tontine Annuities," adding guarantees for dementia nursing care and launching "whole life nursing/dementia plans" that sufficiently address anxiety over nursing care. We are undertaking key measures to address the risks associated with falling birthrates in Japan through reforms of our business portfolio that involve strengthening our international business and geographical/business diversification.

Environmental Damage

Insurance companies might have to pay out insurance claims based on underwriting provisions as companies claim massive amounts of compensation for the environmental damage they have caused by pollution and/or significant environmental burdens. Amid progressive climate change and natural resource depletion, it looks like concerns are deepening and risks are rising regarding such phenomena within society. The MS&AD Insurance Group is working to provide appropriate insurance underwriting and reinsurance while monitoring trends in global social concerns and legal regulations that address the causes of environmental pollution and burdens and focusing on the provision of risk consulting services related to environmental damage from business activities.

Strengthening Natural Disaster Risk Management

In 2018, several major natural disasters occurred in Japan and overseas. In Japan, the number of accident claims received Group-wide was 520,000, which far exceeds the Great East Japan Earthquake. Overseas, there was a significant amount of natural catastrophe losses, such as those caused by hurricanes in the United States and the California wildfires.

The MS&AD Insurance Group has built a system able to ensure the soundness of the entire Group by performing stress tests versus large-scale insured losses caused by earthquakes as well as hurricanes in the United States, while securing the necessary capital based on risk criteria that uses event probability of once in 200 years. In fiscal 2018, the Group was able to reliably sustain operations while maintaining a proper level of financial soundness.

Recently, however, the scale and frequency of natural disasters, such as major hurricanes and typhoons, have been increasing. Under these circumstances, the Group intends to advance the level of its natural catastrophe risk management by refining methods for measuring risks related to windstorms and floods in the United States, enhancing stress tests, and promoting research and assessments of natural catastrophe risks in Asia.

Controlling the Retained Amount of Natural Catastrophe Risk

While the amount of natural catastrophe damage in Japan reached a record high, we covered this loss using reinsurance as a means of recovering insurance money as well as catastrophe reserves that are accumulated each period to cover large-scale insurance payments like those seen recently. Throughout the Group, we redoubled our efforts to control the retained amount of natural catastrophe risk while implementing and enhancing measures to mitigate risks of earnings fluctuations during the period.

Specifically, we

1) Lower the natural catastrophe retention on a Group-wide basis

- Lower the natural catastrophe retention including that for windstorm and floods in the United States
- Further enhance the profitability of the reinsurance business

2) Reduce the risk of profit fluctuations

- By enhancing the respective existing reinsurance coverage of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance for domestic natural catastrophes and creating joint reinsurance treaty coverage shared by the two companies that covers annual aggregate losses, the Group reduces the losses on a once-in-10-years basis by around 20% year on year, decreasing the risk of profit fluctuation.

Cyber Risk Initiatives

We have developed a Group-wide platform to address cyber risks, which are a common challenge within the Group.

MS&AD InterRisk Research & Consulting, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance closely cooperate to provide comprehensive risk consulting/diagnostic services to corporate customers.

We launched a multifaceted risk assessment service in cooperation with Verizon Japan and BitSight Technologies. (July 2018)



We launched an intelligence information provision service (IntSights) in cooperation with the American company IntSights Cyber Intelligence (July 2018)

- Gather and analyze online data using a proprietary algorithm and machine learning
- Provide monthly reports on intelligence information

Information Management

Basic View and Policy

The MS&AD Insurance Group will observe the laws and regulations for information security, and will continuously implement measures to strengthen information management. These measures include setting internal rules, upgrading system security, conducting thorough information management training for staff and agents, and taking steps to mitigate the risk of information leakage.

In order to proactively strengthen information security management to the entire group, we have established the "MS&AD Insurance Group Information Security Management Basic Policy."

In light of the importance of protection for personal information, and in the interest of compliance with related laws and regulations as well as proper handling of customer information, we have formulated the "MS&AD Insurance Group Basic Policy for Management of Customer Information" and the "MS&AD Insurance Group Basic Policy for Shared Use of Customer Information".

- [> MS&AD Insurance Group Information Security Management Basic Policy](#)
- [> MS&AD Insurance Group Basic Policy for Management of Customer Information](#)
- [> MS&AD Insurance Group Basic Policy for Shared Use of Customer Information](#)

Structure of Information Security Management

The holding company appoints the Group Chief Information Security Officer (CISO) to build a framework and enhance information security management. The MS&AD Group maintains a framework to detect threats to information assets and always understands changes in the external environment, such as those related to cybersecurity, to ensure information security and respond to emergencies quickly.

In accordance with the "MS&AD Insurance Group Basic Policy for Management of Customer Information", the domestic insurance companies in the Group determine guidelines and internal rules related to information management, and instate security initiatives. They also plan and operate programs for the education of employees and agents, and perform related checks and monitoring. In addition, they make arrangements for response in the event of incidents such as information leaks, take steps for prompt post-incident correction and recurrence prevention, and otherwise work for appropriate handling in this respect.

Monitoring Activities

The holding company monitors the status as regards arrangements for information security management at domestic insurance companies in the Group, and reports of its findings to management. In addition, it applies the findings of its monitoring activities in its efforts to reinforce arrangements for information security management in the entire Group, through steps such as sharing of know-how with and provision of requisite support to domestic insurance companies in the Group.

MS&AD Insurance Group Holdings, Inc. Declaration of Personal Information Protection (Privacy Policy)

The holding company and the domestic insurance companies in the Group have formulated privacy policy for various items related to the handling of customer information, including a declaration of commitment to compliance with related laws and regulations, appropriate acquisition, and limitation of the purposes of use. They have disclosed these declarations on their respective websites.

[> Declaration of Personal Information Protection \(Privacy Policy\)](#)

Transaction Responsibilities

Basic Concept and Policy

In the MS&AD Insurance Group Compliance Basic Policy, the MS&AD Insurance Group stipulates that all of our officers and employees should take sincere, fair, and proper actions to respond to the expectations and requests of society by complying with all laws and regulations related to our corporate activities with a constant awareness of our corporate social responsibility.

[> Compliance Basic Policy](#)

Furthermore, we established the MS&AD Insurance Group Basic Policy on Human Rights in February 2017, in which we recognize our responsibility for the actual and potential adverse impact that our business activities have on human rights, including in the value chain. We have begun efforts to implement activities and dialog that respect human rights.

[> Basic Policy on Human Rights](#)

Based on the fact that there are situations in business activities where various activities are entrusted to outside vendors, we have formulated the MS&AD Insurance Group Basic Policy for Management of Outside Vendors as our basic policy regarding outsourcing. Based on the above, the Group companies maintain and properly control the management of outside vendors.

[> Basic Policy for Management of Outside Vendors](#)

Specific Initiatives

Initiatives for Human Rights and the Environment

Through its human rights due diligence, the MS&AD Insurance Group is making efforts for the safe management of customer information by making the prevention privacy infringement arising from the leakage of customers' personal information a priority issue. The Group also conducts procurement that takes into account the sustainable use of resources.

[> Human Rights Due Diligence and Remedial Measures](#)

[> Information Management](#)

[> Promoting Use of FSC-Certified paper](#)

Confirming the Appropriateness of Outside Vendors

The Group's domestic insurance companies have established standards for selecting new outside vendors and conduct regular inspections of vendors, in principle annually, to check the vendors' customer personal information management system, the soundness of business management, and the appropriateness of business execution.

Initiatives in the Value Chain

Consideration for Human Rights

> Basic Policy on Human Rights

The MS&AD Insurance Group urges related parties such as business partners, including suppliers, who are involved in the procurement of services, and agencies, to prevent and/or reduce the risk of adverse impacts on human rights through their business activities.

Environmental Consideration

As part of ISO14001 initiatives, MSI and ADI annually explain the MS&AD Insurance Group Basic Policy on the Environment to clients and ask for their cooperation in environmental consideration.

Examples of specific initiatives include encouraging agencies and clients to obtain Eco Action 21 certification, a simplified environmental ISO certification, as well as spreading eco-maintenance* and promoting the use of recycled automobile parts. We also encourage the preservation of biodiversity by companies.

> Support for Certification under Eco Action 21

> Support for the Spread of Eco-maintenance and Eco-inspection

* Encouraging the spread of eco-maintenance (engine cleansing)

"Engine cleansing" has been stipulated by the government as one of the designated items of Green Purchase Method in April 2008. Support for obtaining Eco Action 21 certification has directly lead to the spread of engine cleansing.

Group Basic Policy for Management of Outside Vendors

Based on the fact that there are situations in business activities where various activities are entrusted to outside vendors, the MS&AD Insurance Group has formulated the Group Basic Policy for Management of Outside Vendors as the basic policy regarding outsourcing. Based on the above, the Group companies maintain and properly control the management of outside vendors.

MS&AD Insurance Group Basic Policy for Management of Outside Vendors

The MS&AD Insurance Group maintains proper management of outside vendors based on the below management policy in situations when it entrusts work externally.

1. Outside Contracting Subject to This Policy

When the MS&AD Insurance Group delegates all or part of the administrative work necessary for it to conduct business to an outside vendor, there must be an assurance that such is appropriate in conjunction with the execution of business bearing in mind the need to assure that customers are protected and management is conducted soundly. As used herein, "customer" shall refer to "a customer having a relationship to the activities of the MS&AD Insurance Group" with respect to both individuals and companies.

2. System for Management of Outside Vendors

MS&AD Holdings and the domestic Group insurance companies shall create the following system for managing outside vendors and properly implement the same:

- (1) Establish a supervisor and business unit responsible for managing outside vendors.
- (2) Establish and disseminate rules pertaining to the management of outside vendors.
- (3) Conduct inspections and supervision over outside vendors.
- (4) Conduct appropriate management of subcontractors.
- (5) Establish procedures for responding to inquiries, complaints and other communications from customers pertaining to outside vendors.
- (6) Create other procedures necessary for managing outside vendors and revise the same as appropriate.

Other Group companies shall also create system for managing outside vendors and properly implement the same consistent with the above.

Information Disclosure

The MS&AD Insurance Group stipulates its external information disclosure policy for each Group domestic insurance company in "MS&AD Insurance Group Basic Policy for Disclosure of Information". In accordance to the policy, each Group company has thoroughly put the disclosure rules in practice as set forth by the Financial Instruments Exchange and is engaged in disclosing information so that respective stakeholders can have a correct understanding of the true status of the Group companies without delay.

[➤ Basic Policy for Disclosure of Information](#)

Disclosure of Information and Investor Relations (IR)

We are conducting investor relations (IR) activities according to the basic policies (IR policy) to win trust from shareholders and other investors as well as to have our corporate value assessed fairly and properly.

[➤ Disclosure of Information and Investor Relations \(IR\)](#)

Capital Management Policies and Shareholder Return Policy

Our Group aims to ensure that capital is kept in line with the amount of risk while strengthening shareholder returns through dividends and share buybacks.

[➤ Capital Policy and Shareholder Return Policy](#)

< References >

We provide reference materials for our shareholders/investors, such as the dividends trend of recent years and basic information, which includes the securities identification code and the number of MS&AD Holdings shares.

[➤ Dividend Policy](#)

[➤ Stock Overview](#)

Climate-related Financial Disclosure

The MS&AD Insurance Group endorses the Task Force on Climate-related Financial Disclosures (TCFD) and promotes the disclosure of financial information.

[➤ Climate-related Financial Disclosures](#)

Disclosure of Information and Investor Relations (IR)

The MS&AD Insurance Group is actively conducting appropriate information disclosure to earn trust from a wide variety of stakeholders, including our customers, shareholders, investors, and business partners, so that our corporate value is assessed fairly and properly.

Basic Policy and the Structure of Our Approach

Our Group has compiled its stance relating to information disclosure in the "MS&AD Insurance Group Basic Policies on Corporate Governance." Based on this basic policy, we have established the "Policy for Constructive Dialogue with Shareholders" as a guideline for dialogue with shareholders, and the "MS&AD Insurance Group Basic Policy for Disclosure of Information," etc. as a guideline for adequate disclosure, to ensure that the Group implements accurate, timely, and fair information disclosure.

[MS&AD Insurance Group Basic Policies on Corporate Governance](#)

Basic Policies

MS&AD Insurance Group Basic Policy for Disclosure of Information

The "MS&AD Insurance Group Basic Policy for Disclosure of Information" is an external information disclosure policy established for domestic Group insurance companies. In accordance with this policy, all domestic Group insurance companies strive to thoroughly comply with the disclosure rules stipulated by laws, regulations and the disclosure rules of financial instruments exchange. At the same time, the domestic Group insurance companies disclose information to ensure that their respective stakeholders can be made aware of important information in an accurate, timely, and fair manner.

[MS&AD Insurance Group Basic Policy for Disclosure of Information](#)

Policy for Constructive Dialogue with Shareholders

Towards sustainable growth and improvement of corporate value in the medium and long term, our Group works to carry out constructive dialogue with shareholders, and is working to further create value by taking advantage of the dialogue in management.

[Policy for Constructive dialogue with shareholders](#)

IR Policy

The "IR Policy" is the basic policy for IR activities established by MS&AD Holdings. Not only disclosing corporate information required under statutes and regulations of financial instruments exchanges, our Group proactively releases information for investment decisions, ranging from basic policies and management plans to business strategies of the Group, thereby improving the quality of our disclosure. In addition, by disclosing such information, we strive to put out information that is timely, fair, and easy-to-understand.

[IR Policy](#)


Information Disclosure Framework

To ensure timely and adequate information disclosure and evaluate the effectiveness of information disclosure controls, our Group has established a Disclosure Committee and built a timely disclosure system.

Disclosure Committee

The Disclosure Committee has been established by a resolution of the Board of Directors, and it is the institution at the core of the information disclosure system. The Committee is composed of outside directors and officers/directors in charge of the planning, the accounting, and other departments related to information disclosure. Our Group regularly convenes this Committee and verifies the appropriateness of procedures and evaluations, and the effectiveness of the information disclosure controls of the entire Group.

The overview of the structure for timely disclosure is provided in the Corporate Governance Report.


[Corporate Governance Report \(last update: November 19, 2019\)](#)  (734KB)




Communication with Shareholders and Investors

Our Group is actively engaging in dialogues with shareholders, investors, and analysts with the Group management at its core. In addition to holding the various information meetings for institutional investors and analysts, we provide highly convenient and clear information disclosure to shareholders and investors via the MS&AD Holdings website. The Group responds in good faith to enquiries from investors/shareholders and securities analysts. We will share the requests and opinions that we received during the course of our IR activities within the Group companies and will use them to enhance our corporate value.


[Policy for Constructive dialogue with shareholders](#)



The Medium-Term Management Plan




- > The Medium-Term Management Plan(2018~2021)  (5,655KB)
- > FY2018 First Information Meeting  (3,050KB)
- > Presentation 

Previous Medium-Term Management Plan (FY2014-FY2017)



- > Next Challenge 2017-Stage2(FY2016-FY2017) (May 26, 2016)  (451KB)
- > Next Challenge 2017 (June3, 2014)  (5,709KB)

FINANCIAL TIMES (October 9, 2018)

> Visions of a Sustainable Future 

> PDF  (1,180KB)

Visions of a Sustainable Future

MS&AD Insurance Group is determined to cement its place in the top rank of the global non-life insurance industry—and has a clear vision of how to achieve that goal.

Insurance companies like to engage risk. That does not mean that they don't operate in a risk-free environment. In fact, MS&AD Insurance Group came into being in 2015 when a goal of world-class insurance companies in Japan drove productivity down to sustainable levels. Created through the integration of Mitsui Bussan Kaisha Insurance, Aioi Insurance and Nippon Fire General Insurance, MS&AD had a challenging beginning, proving a loss in fiscal 2015 due to the Great East Japan Earthquake and flood in Thailand.

The company showed the next few years as the conceptual picture both of growth and efficiency. "Our effort came to fruition in fiscal 2017," says Yasuyoshi Kawasaki, Group CEO since 2014. "We've achieved efficiency through function-based reorganizations and cost-cutting costs, rebuilt our dynamic, flexible profitability, and renewed financial foundations."

As evidence of this new-found robustness, Kawasaki points to key insurance industry metrics: a combined ratio for the domestic



MS&AD can increase stability in the lives of individuals and dynamism in the business community.

Yasuyoshi Kawasaki
President and CEO,
MS&AD Insurance Group
Holdings, Inc.

single column or value set is more effective at governing activities," he says, explaining why diversity is one of MS&AD's core strengths. (See box top right.)

As for digitalization, Kawasaki stresses that it doesn't mean using automation to take over people's jobs. "The real digitalization means adding value so what people do to improve productivity and the customer experience via auto-

MS&AD Holdings
MS&AD INSURANCE GROUP
www.ms-ad-hd.com/en

Strength in diversity

Diversity makes sound business sense. Why? Because diverse groups are proven to do a better job of thinking differently. MS&AD is diverse in a whole variety of ways. First, it has a rich mix of companies, with three brands and two life insurance companies mainly in Japan, plus a highly diverse global network. It also has a range of partnerships with entities ranging from Japanese keiretsu groups and manufacturers like Sumitomo and Toyota to international insurers like F&W, General and Equi. More. But the company also benefits from diversity at the human resources level, with a healthy global gender split and a broad spread of nationalities now that fully one-quarter of the group's 40,000 employees are based outside Japan.

A variety of separating companies

NON-LIFE INSURANCE			LIFE INSURANCE	
Global operations	Company brand	Scale size	Product type	Brand building
Increased business benefits			High-value services benefits	

Third-Party Assurance

Third-Party Assurance

Since 2015, the MS&AD Insurance Group has engaged KPMG AZSA Sustainability Co., Ltd. to perform assurance of selected environmental and social data in order to assure the credibility of reported figures. The data subject to the third-party assurance is indicated with ✓.



Independent Assurance Report

To the President and CEO of MS&AD Insurance Group Holdings, Inc.

We were engaged by MS&AD Insurance Group Holdings, Inc. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with ✓ (the “Indicators”) for the period from April 1, 2018 to March 31, 2019 included in its Sustainability Report 2019 (the “Report”) for the fiscal year ended March 31, 2019.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s Yaesu First Financial Building selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

December 2, 2019

Scope and Method of Calculating Environmental Data

Item	Method of calculating amounts of energy used, amounts of disposed waste, and passenger-kilometers traveled		CO2 emission factor
Amount of electric power, gas, cold and hot water, heavy oil, and kerosene used	Japan	Actual measured energy usage collected in accordance with the Act on the Rational Use of Energy, which covers all of the energy use within each of Company-owned buildings.	Emission factor by energy source based on the Act on Promotion of Global Warming Countermeasures as published by Japan's Ministry of the Environment and emission factor by electric power utility.
	Overseas	Calculated from energy purchase costs and unit price by country as published by JETRO (*1).	
Amount of gasoline and diesel oil used	Japan	In principle, actual measured amounts of gasoline and diesel oil are used. When an actual measured amount of gasoline is unknown, the amount is calculated from the gasoline purchase cost and the domestic national average unit price as published in a survey of gas station retail prices conducted by Japan's Agency for Natural Resources and Energy.	For overseas electric power, emission factor by country published by IEA (*2).
	Overseas	In principle, the amount used is calculated from gasoline purchase costs and unit price by country as published by JETRO. When the cost of gasoline is unknown, it is calculated from the amount of gasoline used per car and the number of cars at overseas sites, or the amount of gasoline used per person at overseas sites and the number of employees overseas.	
Total amount of waste	Japan	The percentage of the actual measured amount of general waste disposed from Company-owned buildings is 94.5%. When an actual amount is unknown, it is estimated from the cost of waste disposal and the unit cost. The amount of general waste disposed from non-Company-owned buildings is calculated from the amount of disposed general waste per person in Company-owned buildings and the number of employees in non-Company-owned buildings. The amount of disposed industrial waste is the actual measured amount.	
	Overseas	Calculated from the amount of disposed general waste per person in Company-owned buildings in Japan and the number of employees overseas.	
Amount of recycled waste	Consolidated	The actual measured amount of recycled waste	
Amount of disposed waste	Consolidated	Total amount of waste minus actual measured amount of recycled waste	
Amount of water used	Japan	The percentage of the actual measured amount of water used in Company-owned buildings is 71.4%. The amount of water used in non-Company-owned buildings is calculated from the amount of water used per person in Company-owned buildings and the number of employees in non-Company-owned buildings.	
	Overseas	Calculated from water use per person in Company-owned buildings in Japan and the number of employees overseas	
Business Japan travel (by plane)	Japan	Calculated from domestic and international air travel expenses estimated from domestic and international business travel expenses (assuming that 10% or 20% of domestic business travel expenses and 50% of international	
	Overseas		

		business travel expenses are air travel expenses), emissions unit values per amount of transportation costs incurred as published by Japan's Ministry of the Environment, and emissions unit value per thousand passenger-kilometers traveled by type of transportation.	
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Organizational boundary: MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries.

*1 JETRO: Japan External Trade Organization

*2 IEA: International Energy Agency

Scope and Method of Calculating Scope3

Category	Subject	Calculation method	Emission source unit
Capital goods	Consolidated	Facility investment amount x emission source unit per price of capital goods	The Ministry of the Environment's database*3 [6] emission source units per price of capital goods (financial/insurance)
Fuel- and energy-related activities (not included in scope 1 or scope 2)	Consolidated	Usage amount of fuel and energy Usage amount x emission source unit	①The Ministry of the Environment's database*3 [7] emission source units per usage of electricity and heat ②CFP Program DB *4 emission source units per amount of fuel
Waste generated in operation	Consolidated	Amount of recycled industrial waste, incineration processing, and direct landfill processing x waster type/emission source unit by processing method	① Carbon Footprint DB*4 Emission source unit for incineration of non - industrial wastes per weight ② The Ministry of the Environment's database*3 [8] emission source units by waste type (including waste transportation stage)
Business travel (by airplane)	Consolidated	○Cost of air flight Cost of air flight × Emission source unit per transportation expenses	The Ministry of the Environment's database*3 [11] Emission source unit per transportation expenses
Employee commuting	Major Domestic consolidated subsidiaries	○commutation allowance commutation allowance × Emission source unit per transportation expenses	The Ministry of the Environment's database*3 [11] Emission source unit per transportation expenses
Lease property	Consolidated	○Electricity and gas used in the lease property • energy and gas consumption amount × Emission source unit per consumption amount for electricity and gas	Emission factor by energy source based on the Act on Promotion of Global Warming Countermeasures as published by Japan's Ministry of the Environment

*3 : The Ministry of the Environment's emission source unit database (ver. 2.6) for calculating greenhouse gas emissions through the supply chain (March 2019)

*4 : Carbon Footprint Communication Program (CFP Program) Database (ver. 1.01)

Third-party Opinion

Junko Edahiro

Professor, Graduate School of Leadership and Innovation, Shizenkan University

President, Institute for Studies in Happiness, Economy and Society

Founder and President, e's Inc.



This Report covers a wide range of topics including the MS&AD Insurance Group's policies and initiatives, and, despite the vast volume of information covered, both its layout and text are reader-friendly. The process of identifying material issues and developing them into concrete measures as well as how the progress of those measures is managed is clear. In fact, the Group has reduced its carbon footprint (Scope 1 and 2) by 13.3% compared to 2009 and it has incorporated various measures to address global warming, a point I suggested last year, which attests to the Group's commitment to steadily promote and expand sustainability initiatives. The Group is also stepping up its efforts to develop a system that facilitates effective engagement with sustainability through means such as by incorporating efforts to tackle global warming into directors' performance-based compensation.

The Report is already a reliable one in its own right, but I would like to point out a few issues for further improvement.

In this Report, the MS&AD Insurance Group reiterates "a resilient and sustainable society" as the image of the society the Group aspires to achieve. I would suggest that the Group's own definition and image of such a society be shared with readers. "Resilient" is still an unfamiliar term and its meaning varies depending on the person. I believe that drawing a concrete image of such a society would give the readers a clearer picture of the goals of each initiative.

Furthermore, I recommend that descriptions on the kind of world the MS&AD Insurance Group foresees and how the Group intends to respond to it be presented, for example, in the CEO Message, from a broader, long-term perspective. I understand that the Group is already working on matters "deemed as an issue in and outside Japan" and matters that "constitute social problems," but what about risks that are yet to become a social issue? Moreover, besides global warming, I believe we need to anticipate new emerging risks in the era of AI and autonomous driving. Turning our eyes to Japan, what kind of risks would be brought about by a shrinking population and rural flight from local communities? I think it is essential for an organization committed to "identify and inform on risks" to explore potential risks, including existing but yet unrecognized risks, and the danger of such unawareness, and to report on the possible solutions to the potential risks that are under consideration.

Another point, which overlaps with my comments from last year, is that although the Report covers a wide range of initiatives taken, most of what is offered consists largely of explanations of those programs. I would suggest that data on the Group's performance and particularly changes over the past one year and future plans based on a review of that performance be included in the main text. Particularly, rather than merely re-presenting the figures, data such as employee satisfaction, for which figures remain unchanged over the past few years, the figures should be accompanied by deeper analyses and descriptions of the subsequent actions the Group intends to take.

Lastly, it is natural that global warming accounts for the majority of the initiatives, given the nature of the Group's business and the social requirement. However, I expect the Group to promote other global issues including water problems, biodiversity, regional revitalization, which is a pressing issue in Japan, and social impacts. As to sustainability of natural capital, the MS&AD Insurance Group has provided consultation services to customers, I would like to see the Group apply the same awareness to its own sustainability efforts too.

Furthermore, with regard to the CO2 emissions reduction target, a "70 percent reduction in 2050 from the 2009 level" was a drastic one at the time when it was devised. However, I believe that the target should become more aggressive considering developments such as the Paris

Agreement, the publication of the Special Report on Global Warming of 1.5° C last autumn, and the long-term targets announced by the Japanese government last spring. On the other hand, I expect the Group to also work on energy problems, such as by joining RE100. By evolving the exemplary disclosure that the Group already has in place, and articulating a broader perspective, the direction it will take, and each further step taken, I am sure the MS&AD Insurance Group will be able to produce an even more communicative report.

Our Response to the Third-Party Opinion on Our Sustainability Report

We sincerely appreciate your valuable opinions on the MS&AD Insurance Group Sustainable Report 2019.

In fiscal 2018, we focused on Creating Shared Value (CSV) with the SDGs referenced as leading marks in order to realize our image of society in 2030 as "a resilient and sustainable society", envisioned in our Medium-term Management Plan, Vision 2021, launched in 2018. Year after year, we are compelled to be prepared for contingencies arising from factors such as the ever intensifying natural disasters and increasingly sophisticated cyber attacks. Furthermore, we are faced with a multitude of risks that will emerge during the course of the drastic reforms towards realizing a sustainable society. The MS&AD Insurance Group is addressing social issues that many people hope to resolve, such as diversified/large-scale accidents and disasters, the global environment approaching the limit, mounting burden of nursing/medical care associated with aging population and a decline in social vitality due to widening inequalities, by proposing adequate measures to tackle such problems and risks.

FY 2019 will continue to see us advance our CSV initiatives and provide insurance and financial services that help to resolve these and other social issues. We highly value the opinions we receive, which we find very suggestive and important when communicating to our stakeholders about our CSV efforts to realize a "resilient and sustainable society," the image of the society we will achieve by 2030.

As to the four themes you have raised in your advice, we will take the following steps:

First, to provide our definition and a concrete image of a "resilient and sustainable society," the society we aspire to achieve by 2030 as outlined in our Medium-term Management Plan, Vision 2021, we will reorganize the steps toward the realization of such a society in a readily comprehensible way and provide a description of the society that is linked with our CSV efforts.

Second, to foresee the world from a broad and long-term perspective and address the forecast, we will proceed with research and study into potential risks, mainly around the four social issues, in cooperation with external institutions and will present the findings and solutions from a medium- to long-term perspective.

Third, in order to indicate our future plans based on a review of the previous year's performance as well as changes, we will reflect on the previous year's track record and show our vision of the future pertaining to the issues we are working on, to the extent possible.

Fourth, to advance with initiatives on global issues other than global warming, we will return to the MS&AD's Story of Value Creation and strive to materialize it. Our story of Value Creation is stated as follows: To fulfill our aim to realize a desirable society, we will squarely face the social issues that hamper society's advancement and quickly identify various risks stemming from such issues and provide information on these risks. Then through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks do materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner.

To support the Group's efforts towards its Mission, to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind, we will clarify what we can do and how we can contribute by proactively incorporating the opinions received and strive for disclosure that is meaningful both to stakeholders and the MS&AD Insurance Group.

Yusuke Shirai, General Manager, Corporate Planning Department
MS&AD Insurance Group Holdings, Inc.

Editorial Policy

Concept of Sustainability Information Disclosure

The MS&AD Insurance Group issues an annual Sustainability Report so that stakeholders can better understand the sustainability-related activities at the Group. In addition to including information that is considered important by stakeholders and the Group, the report is published via a website in order to save natural resources.

- The Group is making efforts to Create Shared Value (CSV) by utilizing the SDGs as leading marks, in order to realize a “resilient and sustainable society,” our ideal for society in 2030 as set forth in our Medium-Term Management Plan, Vision 2021.
- The report focuses on initiatives related to our priority issues of “contributing to climate change mitigation and adaptation” “striving to improve sustainability of natural capital,” and “implementing activities and dialog that respect human rights,” in addition to other initiatives related to our value creation approach.
- The report also mentions unique initiatives being carried out at Group companies (please refer below for the scope of the report).
- The report includes a collection of sustainability-related data.

Scope of the Report

Target period
Fiscal 2018 (April 2018 through March 2019) * Also includes some activities in and after April 2019.
Target organizations and abbreviations
The Company and Group companies are abbreviated as follows. (The Group's domestic insurance companies are indicated with a star symbol.)
<ul style="list-style-type: none"> · MS&AD Insurance Group Holdings, Inc. ⇒ "MS&AD Holdings" or "HD" · Mitsui Sumitomo Insurance Co., Ltd. (★) ⇒ "Mitsui Sumitomo Insurance" or "MSI" · Aioi Nissay Dowa Insurance Co., Ltd. (★) ⇒ "Aioi Nissay Dowa Insurance" or "ADI" · Mitsui Direct General Insurance Co., Ltd. (★) ⇒ "Mitsui Direct General Insurance" or "Mitsui Direct General" · Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (★) ⇒ "Mitsui Sumitomo Aioi Life" or "MSI Aioi Life" · Mitsui Sumitomo Primary Life Insurance Co., Ltd. (★) ⇒ "Mitsui Sumitomo Primary Life" or "MSI Primary Life" · MS&AD InterRisk Research & Consulting, Inc. ⇒ "MS&AD InterRisk Research" or "InterRisk"

Timing of Publication

This issue
September 2019
Previous issue
October 2018
Next issue
Scheduled for September 2020

Referred Guidelines

- GRI, Sustainability Reporting Guidelines (Standard)

[>](#) Linkage with GRI Guideline

- ISO26000:2010 Guidelines on social responsibility (Japanese Standards Association)

Past Sustainability Reports

[>](#) MS&AD Insurance Group Sustainability Report

[>](#) Mitsui Sumitomo Insurance's CSR Report [📄](#)

[>](#) Aioi Nissay Dowa Insurance's Communication Report (Japanese only) [📄](#)

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