TOKIO MARINE INSURANCE VIETNAM CO. LTD.

SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

No.: ..28.../2025-CVHN-TMIV

Hanoi, 27th March 2025

RISK MANAGEMENT REPORT

2024

To: Ministry of Finance

Section 1: Risk Management Policy

1. Organization Structure, internal policies, rules and regulations in Risk Management

1.1.Organization Structure

Three Lines of Defence

Tokio Marine Insurance Vietnam Company Limited (here in after referred to as "Company" or "TMIV") risk governance is built around the "Three Line of Defence" model, in which:

First Line of Defence (1st LOD) – Business departments (or Risk Owners)

+ The First Line of Defence (1st LOD) – Business departments (or Risk Owners)
+ Key responsibilities of the Business departments and Business supporting functions include:
    - day-to-day risk taking within the parameters of the Risk Management Framework;
    - identifying, assessing, mitigating, monitoring and reporting of risks;
    - learning lessons when material control failures occur and making changes to prevent, detect or limit future recurrence (including sharing those lessons with the broader business);
    - implementing the risk management policies for each key risk relevant to Units and functions;
    - executing risk management remediation activities; and
    - developing and implementing controls that are capable of mitigating the company's risk exposures.

Second Line of Defence

+ The Second Line of Defence (2nd LOD) – Risk Management, Compliance functions and other functions/departments having the function of controlling risks to the 1st LOD
+ The Risk Management and Compliance Function provides independent oversight, challenge and advisory support on the risk management activities in the business, and puts in place effective risk management mechanisms to mitigate risks.

Third Line of Defence

+ The Third Line of Defence (3rd LOD) – Internal Audit Department
+ IA shall be responsible for the independent review and assessment of the 1st and 2nd LODs and shall report directly to the Members' Council.
+ The IA Department provides independent assurance that the business is effectively applying risk management policies and processes in line with expectation of Members' Council and BoD.

Risk Governance Structure

TMIV has established the Audit Committee (AC) to support the supervision and monitoring of the Company's operation. The AC comprises two members of the Members' Council of the Company. Meetings of the AC is held once a quarter, with the authority to convene additional/ ad-hoc meetings, as circumstances require. Regarding risk management and corporate governance, The AC's responsibilities includes:

+ Support the Members' Council in reviewing the effectiveness of the Company's processes of corporate governance to enable the organization to implement best practices as set out in appropriate guidance.
+ Evaluate the overall effectiveness of the internal control system and consider whether recommendations made by the internal and external auditors have been implemented by management.
+ Review the non-compliance issues raised by regulatory agencies and the rectification of those issues.
+ Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of follow-up of any instances of non-compliance.
+ Review results derived from risk management and advice for appropriate strategies and methods used in risk management upon general practices in the insurance industry, business environmental factors, size of business, opportunity and impact of emerged risks, expenses, etc.
+ Review the annual results of Control - Self Assessment (CSA) exercise.
+ Oversight on risk management and compliance.

TMIV has also established a Risk Management and Compliance Committee, comprising members from the Board of Directors, the Head of Risk Management Department, the Head of Compliance Department, and the Heads of key operational departments (Underwriting, Marketing, Claims, etc.). The Risk Management and Compliance Committee convenes regularly once per quarter to review the company's risk issues, and to consider the quarterly reports provided by the Board of Director on the company's risk and compliance status.

The roles and responsibilities on risk management of the Members Council ("MC"), the Board of Directors ("BoD"), the Risk Management Department, and all relevant lines of defence are fully stipulated to comply with the provisions outlined in Section 2, Article 4 of Circular 70/2022/TT-BTC dated November 16, 2022, regarding risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises, as reflected in Section 6, Part 1 of TMIV's Risk Management Policy (attached document).

Specifically, for the Risk Management Department, the responsibilities include:

- + Providing expert counsels in order for MC/BoD to issue internal rules and regulation on risk management;
- + Formulating and implementing risk assessment approach to help identify and evaluate potential risks in various levels and relevant controls;
- + Controlling risk profile and formulating strategic action plans to reduce, manage and mitigate material risks and then monitor the progress of effort;
- + Constructing the scenario for testing of the Company's risk tolerance;
- + Promoting risk management competency throughout the company;
- + Establishing reporting protocols to regularly update information to General Director and Members' Council

In addition, as a subsidiary of Tokio Marine Group, TMIV is also supervised by TM Asia and TMHD to ensure that the Company's risk management practices are sound and generally in line with TMHD's ERM Framework. The framework covers management strategy and risk culture, organisational structure for ERM, risk appetite and the ERM cycle. Details of the framework is included in Appendix.

1.2.Internal policies, Rules and Regulations

TMIV has issued and implemented risk management policies and procedures, including:

- + **Risk management policy**: The Risk Management Policy is issued and endorsed by the Members Council, delineating the organizational structure of TMIV's risk management, the roles, responsibilities, and authorities of the entire company in risk governance; specifying the identification of various risks associated with TMIV's business operations, such as risks impacting the entire company, and managing risks appropriately to ensure the soundness of financial conditions and the suitability of business activities.
- + **Risk management guideline**: The Risk Management Guideline is issued by Board of Directors, providing guidance on how to carry out the risk management exercise in TMIV, including:
    - The process of identifying, measuring, tracking, monitoring and supervising material risks; making reports and exchanging information or feedback on risk changes and response;
    - Measures or approaches applied to control risks arising from business activities, and control individuals and departments involved in those activities.
    - Stress testing (or tolerance testing)
    - Internal regime for reporting of risk management
- + **Risk appetite**: The Risk Appetite Statement (RAS), approved by the Members Council, establishes the risk boundaries within which the business will operate, sets stakeholder expectations with regards to the risks undertaken and assures regulators, shareholders, and policyholders that the TMIV has a robust and consistent approach to risk. Main TMIV's RAS are as below:
    - "TMIV conducts risk-taking mainly in insurance business (including underwriting and investment risks)"
    - "TMIV only assumes risks which can be compensated by sufficient profit, and do not assume risks which are difficult to perform adequate evaluation or the Company do not have enough expertise in, even if they might look profitable."

    Besides, TMIV has varied appetite defined for different types of risk assumed in the business operation, namely for Insurance Risk, Investment Risk and Operational Risk.
- + **Risk tolerance/limit:** TMIV establishes risk thresholds for each category of material risk and associated risks, as well as the interconnectedness among these risks. Key risks are monitored

through the monitoring of risk indicators, with reports submitted to both the Risk Management Compliance Committee (RMCC) and Members Council on a quarterly basis. Additionally, risk thresholds undergo at least annual evaluation and are updated as warranted in reaction to substantial alterations impacting the risks inherent in TMIV's operations.

+ **Policy and plan for business continuity**: These documents are issued by Members Council which establish and plan contingencies for emergency situations to ensure continuity in TMIV's business operations.
+ Furthermore, the Risk Management Policy also stipulates and monitors the issuance of documents by operational departments aimed at risk management in their business activities, including:

Table 1: List of documents required in Risk Management Policy

No.	Document Name	Document Owner
1	IT Security Policy	IT Department
2	Vendor (Outsourcing) Management Policy	Compliance Department
3	Business Continuity Management Policy	Risk Management Department
4	Compliance Manual	Compliance Department
5	Underwriting Guideline	UWRI Department
6	Investment Regulation	Accounting Department
7	Code of Conduct	Compliance Department
8	Incident Reporting & Management Policy	Compliance Department

- The Risk Management Department and the Compliance Department ensure compliance review and examination of the adherence and completeness of all business procedures, including all authorized documents issued from the Board of Directors level. This encompasses documents aimed at ensuring the implementation of internal control activities as per Circular 70/2022/TT-BTC dated November 16, 2022, on risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises, specifically:

Table 2: List of documents which are reviewed by RM and COM

No.	Document Name	Document Owner
1	Pricing procedure	UWRI Department
2	Product development procedure	UWRI Department
3	Underwriting procedure	UWRI Department
4	Claim handling and claim settlement procedure	Claims Department
5	Reinsurance procedure	UWRI Department
6	Internal Control procedure	Risk Management Department

2. **Changes in internal policies, rules and regulations on risk management, taste for risk defined in the reporting period, and reasons for such changes**

There is no significant change to current policies, rules and regulations on risk management or taste for risk during the reporting period.

3. **Assessing the completeness of risk management activities of the Company, and resources required for business within its risk-taking capabilities**

TMIV has established a comprehensive risk management framework and allocated sufficient resources to ensure the rigorous implementation and compliance with legal provisions regarding risk management, as manifested in the Insurance Business Law No. 08/2022/QH15 dated June 16, 2022, and Circular 70/2022/TT-BTC dated November 16, 2022, on risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises.

3.1.Completeness of Risk Management Activities

a. Risk Identification and Assessment

TMIV has a comprehensive risk identification process that encompasses all material risks, including underwriting, credit, market, operational, liquidity, regulatory, and reputational risks. Risk assessments are conducted regularly using both qualitative and quantitative methods, including scenario analysis, stress testing and Risk Control Self Assessment. A structured risk taxonomy is in place to ensure systematic classification and tracking of risks.

b. Risk Control and Mitigation

TMIV has clearly defined risk appetite and tolerance levels, aligned with its strategic business objectives. Underwriting guidelines and risk selection criteria are effectively implemented, ensuring sound risk-taking decisions. The reinsurance strategy, including both facultative and treaty reinsurance, is optimally structured to transfer excessive risks. Additionally, strong operational controls mitigate fraud, data breaches, and compliance violations.

c. Risk Monitoring and Reporting

A robust risk monitoring system is in place with a set of more than 30 Key Risk Indicators (KRIs), including both leading and lagging indicators for oversight and proactive risk management. Risk reports are generated on quarterly basis, providing senior management with actionable insights. Risk reporting is fully integrated with business planning and performance monitoring, ensuring informed decision-making.

d. Governance and Compliance

TMIV has well-established governance structures, with clear risk management roles and responsibilities following the Three Lines of Defence model. The Company maintains full compliance with regulatory requirements, solvency standards, and corporate governance principles (refer to Part 1 above).

3.2.Resources Required for Business Within Risk-Taking Capabilities

a. Capital Adequacy and Financial Resources

TMIV maintains sufficient capital reserves to support its underwriting activities within its defined risk appetite. The solvency ratio meets and exceeds both regulatory and internal capital requirements. Adequate reserves are in place to absorb potential losses from catastrophic events. In 2025, TMIV will issue Capital Management Plan to regulate the principles for capital management to ensure the TMIV has sufficient capital to support the Company's operations, growth, and strategic goals; meet regulatory capital requirements; and ensure TMIV can withstand shocks impacting TMIV's financials and maintain operations during crises.

b. Human Resources and Expertise

TMIV has a skilled workforce in underwriting, claims management, risk assessment, and compliance. Ongoing training and development programs enhance employees' risk management capabilities. Actuarial, legal, and cybersecurity expertise are available to strengthen risk oversight.

c. Operational and Process Efficiency

Risk management processes are integrated into business workflows, ensuring efficiency. A business continuity and disaster recovery plan is in place to safeguard operations against disruptions.

Section 2: Material Risk Management

1. Assessing material risks to the reporting company's business

a) Insurance risk: Insurance risk of TMIV is assessed as Low.

Insurance risk of TMIV encompasses various facets, including underwriting risk, operational vulnerabilities, exposure to catastrophic events, reserving risk, etc. Currently, TMIV establishes various risk indicators to measure and monitor Insurance risks. The risk indicators are measured and reported on a quarterly basis, with reports submitted to both the Risk Management Compliance Committee and Members Council. For any breach of risk tolerance/limit, risk owners are required to propose a suitable mitigation plan.

b) Market risk: Market risk of TMIV is assessed as Very Low.

TMIV invests in traditional asset classes such as government bonds, and fixed deposits. TMIV Accounting and Finance department manages part of fixed deposits and assigns a Fund management company to manage portion of the fixed deposits and Government bonds.

Currently, the Company does not have any risk appetite for equity investments, hence there is no investment in equity security.

c) Operational risk: Operational risk of TMIV is assessed as Medium.

TMIV identifies, assesses, and monitors various operational risks including but not limited to personnel, technology/cyber security, fraud, vendor/outsourcing risk, etc.

d) Counterparty risk: Counterparty (credit) risk at TMIV is assessed as Low

TMIV establishes reinsurance security criteria and ensures that they are updated and properly applied when arranging reinsurance. Every year, a list of accepted reinsurers – evaluated and approved by our group company with rigorous review – is issued and strictly followed by our underwriters.

e) Liquidity risk: Liquidity risk at TMIV is assessed as Very Low.

TMIV has low tolerance to liquidity risk, and maintains enough liquidity needed for claims payments and other capital needs.

2. Methodologies for Management of Material Risks:

a) Insurance risk:

TMIV has set standard Underwriting procedure in Underwriting Guideline (including tariff, rules of conducting risk survey, underwriting information needed and referral timeline.) to control risk assessment and acceptance process. Besides, for Nat Cat risk management, TMIV has been monitoring the exposure movement and engaging flag regional broker (Gallagher Re) to perform flood loss modelling on a quarterly basis. These results are leveraged for internal monitoring to ensure adequacy of reinsurance limit and serve as a benchmark for event losses.

b) Market risk:

TMIV exercises prudent management for all investment activities. The Company issued Investment Guidelines to manage investment activities under strict risk appetite. All investment strategy, business plan was referred to TMIV's group company and get approval from Members Council and daily transactions are authorized by both of BOD and Chief accountant. The Company monitors investment results monthly with a Fund management company appointed to ensure compliance to Investment guideline, investment plan and result.

c) Operational risk:

For each risk, TMIV issued guidance policies/procedures with appropriate controls; and risk indicators/tolerances where appropriate to be monitored and reported on quarterly basis to the Risk Management Compliance Committee and Members Council. Refer to some specific mitigations for top operational risks in Section 2, Part 3.

d) Counterparty risk:

TMIV establishes reinsurance security criteria and ensures that they are updated and properly applied when arranging reinsurance. Every year, a list of accepted reinsurers – evaluated and approved by our group company with rigorous review – is issued and strictly followed by our underwriters.

TMIV sets up a Retention and Reinsurance policy and operates as per such policy. For many years, there has been no dispute with TMIV's reinsurers in relation to outstanding recoveries and the amount of overdue recoveries is substantially small compared to total reinsurance claim recoverable. TMIV issued the Reinsurance Guideline which is updated annually. In the guideline, the Company set up a security list of accepted reinsurers and in case of any reinsurer not included in such list, we perform scrutiny check, involving assessment by both TMIV's underwriter and our group's experts. TMIV utilizes the Company's core insurance system to manage reinsurers' credit limits. We issue the credit limit guideline for all fac-out reinsurers.

e) Liquidity risk:

TMIV has low tolerance to liquidity risk, and maintains enough liquidity needed for claims payments and other capital needs.

TMIV properly monitors our cash flow to ensure liquidity:

(1) Cash flow plans for both long term (over 1 year to two years) and short term (less than 1 year) are prepared.
(2) A risk management system is established to deal with cash crunches: Our investment assets are mainly deposit, which is highly liquid assets.
(3) The Company sets up an annual Strategic Assets Allocation and follows strictly.

3. TMIV specific Material Risk

Annually, TMIV implements the risk identification process and determines material risks pertaining to the company's activities (detailed steps as per the Risk Management Guideline).

In 2024, departments within TMIV conducted a review and assessment of 115 risks in the insurance company's operations identifying five significant risks requiring focused management in 2025. The five significant risks include:

Table 3: TMIV material risks

No	Risk	Definition	Risk situation at TMIV
1	Pricing and product	1. Failure to anticipate future pricing trends of business underwritten & changes to the risk environment 2. Risk of incurring loss as a result of insufficient product knowledge, leading to incorrect information being provided 3. Risk of poor performance due to inadequate pricing as a result of insufficient analysis & inappropriate pricing assumptions hence affecting bottom line 4. Poor risk selection 5. Failure to assess long tail claims impact 6. Unclear terms and conditions resulting in litigation	TMIV has identified "Pricing and Product" as a material risk because it directly impacts the company's ability to manage risk exposure and maintain profitability. Designing and pricing insurance products require careful assessment of various factors, and any miscalculation can lead to underpricing, poor risk selection, and potential financial losses. Several challenges contribute to this risk, including: - **Inaccurate future assumptions:** Pricing models rely on projections, but unexpected fluctuations in risk factors can result in miscalculations. - **Market fluctuations:** Changes in financial, real estate, and economic conditions affect the value of insured assets, making it difficult to price risks accurately. - **Evolving risk factors:** External elements such as climate change, regulatory shifts, and consumer behavior influence claims trends, requiring constant reassessment of pricing models. - **Systemic risks:** A significant event or a series of smaller incidents could amplify financial exposure, leading to substantial losses if risks are not appropriately priced. - Additionally, unclear policy terms and insufficient product knowledge may result in litigation risks, further affecting TMIV's bottom line. Given the competitive market landscape and increasing complexity of risk assessment, ensuring robust pricing strategies and continuous market analysis is critical to sustaining profitability and long-term business stability.
2	Economic, social & technology	The risk to objectives and strategy as a result of changes in the economic,	TMIV recognized this risk as material for the Company for following reasons: - Macroeconomic Situation: Vietnam's economy has yet to fully recover from the effects of COVID-19, leading to decreased

		social and technology environment	consumer spending and reduced business activity. This slowdown directly impacts commercial insurance lines as companies scale down operations and cut costs. In Ho Chi Minh City, the absence of new Japanese investments has forced existing Japanese businesses to prioritize cost-efficiency, influencing their choice of insurers based on price rather than service quality. - Decree 67/2023/NĐ-CP on compulsory civil liability insurance for motor vehicle owners, mandatory fire and explosion insurance, and compulsory insurance in construction investment activities have intensified competition, forcing companies to reduce insurance premiums to compete, resulting in decreased fee revenue. - Trends in technology applications in insurance activities such as digital insurance, insurance sales/management applications on mobile phones, and artificial intelligence applications in insurance require insurance companies to quickly adapt, allocate significant investments to update systems, and keep pace with the market's technological advancement.
3	Development of Tactical Business Plan	Risk of poor performance due to the failure in the development of a robust business plan as a result of failure to assess market conditions and/ or based on incorrect/ inappropriate/ invalid assumptions and/or out of line with stakeholder expectations.	TMIV has identified the "Development of Tactical Business Plan" as a material risk due to the increasingly fierce competition from brokers, domestic insurers, and foreign insurers, along with shrinking profit margins across all lines of business. A robust and well-informed business plan is critical to ensuring sustainable growth and competitiveness in this challenging market. Failure to accurately assess market conditions or relying on incorrect assumptions could lead to poor strategic decisions, misallocation of resources, and ultimately, weakened financial performance. Additionally, any misalignment with stakeholder expectations could undermine confidence in the company's direction, further exacerbating the risk.
4	Quality of Deliverables	1. Failure to identify and monitor any flaws or shortcomings in the deliverables and rectify them immediately.	- TMIV has identified "Quality of Deliverables" as a material risk due to its reliance on third-party administrators (TPAs) for managing health insurance claims and IT outsourcing for critical system operations. In 2024, the volume of claims handled by TPAs increased, and

		2. Vendors do not provide the service contracted or correcting service fees in unexpected schedule.	frequent changes in their personnel have raised concerns about service consistency and quality. This trend is expected to continue, posing a growing risk to claim management efficiency. - Additionally, the recent global CrowdStrike system incident, which rendered the TMIV website inoperable, highlighted the vulnerability of outsourced IT services. While the issue was resolved within 24 hours, it underscored the potential operational disruptions and financial implications if vendors fail to deliver contracted services as expected. Proactive monitoring and timely issue resolution are crucial to mitigating these risks and ensuring business continuity.
5	Virus/Spam Attack	Risk of business loss that arises from partial/total loss or corruption of data and/or hardware failure due to virus/spam attack	TMIV has identified "Virus/Spam Attack" as a material risk in 2024 due to the ongoing threat of ransomware attacks, which remain a prevalent cybersecurity concern. While TMIV has not experienced any virus or ransomware-related incidents thanks to the preventive measures in place, the rapidly evolving nature of these threats requires continuous vigilance. Cyberattacks can lead to partial or total data loss, system corruption, and hardware failures, potentially disrupting business operations and causing financial and reputational damage. Maintaining centralized cybersecurity management and proactive defence is crucial to mitigating this risk and ensuring business continuity in an increasingly digital environment.

Management of TMIV's Material Risks

For the material risks, TMIV has been and continues to deploy a system of control measures to prevent and mitigate risks. TMIV establishes various risk indicators to measure and monitor identified material risks. The risk indicators are measured and reported on a quarterly basis, with reports submitted to both the Risk Management Compliance Committee and Members Council. For any breach of risk tolerance/limit, risk owners are required to propose a suitable mitigation plan.

The risk management measures corresponding to each material risk are as follows:

Table 4: Controls of TMIV's material risks

No	Risk	Risk controls
1	Pricing and product	- TMIV has established a management framework, development process, and monitoring procedures for product development, pricing, and clearly defined authorities in product approval. Additionally, TMIV conducts annual reviews and issues Underwriting Guidelines, outlining risk appetites for each line of business, prohibited risks, and risks requiring referral to higher authority (including the Underwriting Department, Board of Directors, and TM Holding Group's specialized committees). The Underwriting Guidelines also specify the assessment and evaluation of customers for each corresponding line of business. - The company also has an annual risk assessment process, market analysis, business activities, revenue status/loss ratios performed by Underwriting Department and reviewed by Actuary to timely make changes in pricing and product design. - For new products, TMIV requires Underwriting Department to submit them to the Product Development Council and the Board of Directors before deployment, ensuring that the product is evaluated for risks from multiple perspectives by representatives of relevant business units (with members from various departments including Marketing, Claims, Compliance, and Risk Management). - The product issuance process is documented and approved by the Compliance Department to ensure compliance with Vietnamese laws and regulations. - TMIV conducts regular internal training to enhance employees' capabilities in Product Development Procedures and Underwriting Guidelines.
2	Economic, social & technology	- Regularly review monthly/quarterly business performance results. - Regularly review the implementation of annual action plans with departments. - Monitor and update market information through various sources: press, business partners, agents and brokers, other insurance companies, etc. - Quarterly report business performance results to the Members Council.
3	Development of Tactical Business Plan	To mitigate the risk of poor performance due to weaknesses in business planning, TMIV has implemented the following measures: - Market benchmarking: The business plan is regularly compared against the average market movement to ensure competitiveness and sound strategic judgment. - External environment analysis: Key external factors, including economic, political, and socio-cultural conditions, are continuously monitored and analyzed for their potential impact on the business plan.

		- Diversification of revenue streams: Efforts are made to increase business opportunities - Expansion into new markets: TMIV actively seeks new customers and explores emerging market demands to enhance business growth.
4	Quality of Deliverables	To ensure the quality and reliability of outsourced services, TMIV has implemented the following mitigation measures: - Quarterly assessment of provider's service quality and adherence to standards. - Established standard procedures for TPAs to maintain consistency and accuracy. - Sample checks of TPAs' claim files to identify and address any errors promptly. - Annual audits of TPA vendors to assess compliance with service agreements and identify areas for improvement. - Incident log maintenance to systematically record error cases—both financial and non-financial—since 2022, enabling trend analysis and corrective action. - Increase backup frequency and change DR backup system to Cloud platform to improve system availability. - Monitor and implement measures to ensure the availability of customer service systems (website, web apps, mobile apps, sFTP server...)

5	Virus/Spam Attack	To protect TMIV from virus and spam attacks that could lead to data loss, system corruption, or operational disruptions, the following mitigation measures have been implemented:
		
		- Advanced cybersecurity solutions: Antivirus solutions are deployed with real-time monitoring and alert systems to detect and prevent malware threats.
		- Strict software controls: Unauthorized software installation is restricted, requiring admin credentials.
		- Regular security patching: Windows servers and PCs receive regular updates, with ad-hoc patching
		- Enhanced internet access control: A proxy server, deployed since 2020, regulates internet access to mitigate cyber risks.
		- 24/7 security monitoring: The Security Operations Center (SOC) provides continuous monitoring and alerting, enabling rapid response to security incidents.
		- Endpoint Detection & Response (EDR): This system identifies malicious activities on servers and user devices, isolating affected systems when threats are detected.
		- Security infrastructure enhancements (D3 Project - Phase 1, 2021):
		  • Security Review and Assurance
		  • Security Incident Response Plan
		  • Security Reporting

		• Security Awareness Training • Security Service Desk - Compliance with security best practices: TMIV applies updated security checklists, breach response protocols, and account management policies.

Section 3: Results of Risk Tolerance Test

Under normal business conditions, TMIV has consistently upheld strong solvency. The provided table illustrates that over the past five years, the company's solvency margin has remained resilient and steady, consistently exceeding 500%, above the regulatory minimum solvency margin. The net profit has been stable, and with a higher growth rate in the two years of 2020 and 2021 thanks to lower loss ratio.

Table 5: TMIV actual solvency from 2020 – 2024

Unit: Mil VND

Criteria	2020	2021	2022	2023	2024
Owner equity & Funds	551,861	583,058	587,522	619,383	642,007
Net Profit after tax	141,814	146,290	121,732	128,245	121,431
Loss ratio	32.6%	29.1%	40.5%	47.4%	44.9%
GWP	740,057	842,170	902,558	1,018,325	1,037,244
NWP	263,168	287,627	307,228	317,572	342,462
Solvency margin of TMIV	515,434	546,811	535,002	556,659	573,830
Minimum Solvency margin					
25% of total net written premium of all effective policy at the time of calculation of solvency margin	50,546	52,714	57,260	64,141	69,997
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	91,909	101,441	93,568	106,258	109,479
Compare enterprise SM with Minimum Solvency Margin					
By Amount	417,915	546,812	535,002	556,659	464,351
By Ratio	561%	539%	571%	524%	524%

1. Test Scenario

Based on the guidelines provided in Circular No. 70/2022/TT-BTC regarding risk management, internal control, and internal audit of insurance companies, reinsurance companies, branches of foreign non-life insurance companies, and branches of foreign reinsurance companies, TMIV conducted stress testing for period from 2025 - 2029 with the following scenarios:

- **S0 – Base scenario: Normal business condition**

Base scenario is developed based on the Company's business plan, projected for 03 years from 2025 – 2027. Our business mix consists of typical non-life products, including Marine, Property, Motor, Personal Accident, Health, Liability, Engineering, Trade Credit and other lines; with Property, Marine, and Trade credit being the largest lines. Although TMIV is expanding steadily to other lines, the business is projected to remain stable for the projected horizon. Main financial indicators relating to solvency are projected as below table. Gross Written Premiums (GWP) is assumed to grow consistently at an average rate of 14%, while loss ratio is anticipated to range between 45% and 46% for the forecasted years. Under typical business conditions, over the next five years, although the solvency margin ratio exhibits a declining trend, it remains above 390%. This suggests that the company maintains robust solvency resilience throughout the projected period.

Table 6: Solvency in S0 scenario

Unit: Mil VND

Criteria	2024	2025	2026	2027	2028	2029
Owner equity & Funds	642,007	685,328	735,032	795,583	868,614	957,128
Net Profit after tax	121,431	84,037	96,419	117,461	135,632	157,376
Loss ratio	44.9%	46.6%	46.3%	45.9%	45.7%%	45.4%
GWP	1,037,244	1,177,870	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	385,972	447,915	516,833	590,942	675,676
Solvency margin of TMIV	573,830	612,551	656,977	711,098	776,373	855,488
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	82,019	95,182	109,827	125,575	143,581
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	487,402	513,348	546,875	588,602	640,793

By Ratio	524%	489%	457%	433%	413%	398%

- For 2024 stress testing exercise, TMIV has identified 06 stress scenarios based on assessment of the Company risk profile, covering a wide range of risks from underwriting risk, technology risk, regulatory risk to reinsurance risk. The table below shows the descriptions on the 06 internally developed scenarios, designed to be prospective and examined over 5-year horizon spanning from 2025 to 2029.

Table 7: Description of Stress test scenario

Scenario name	Scenario description	Impact
Base Scenario (S0)	Normal business condition - Business plan 2025	Key business parameters as in Table 6
S1 – Operational risk	Issues in system, data or human error during business operation causing loss of revenue, and require an expenditure to fix urgently	Expenses increased 1,000,000 USD in 2025 once and +10% vs base in 2025, +5% vs base in 2026, and return to baseline from 2027. Revenue decreases 5% in 2025
S2 – Legal risk	Mismatch between product Terms & Conditions with regulations forces the company to pay higher claim than expected. One-off legal expenses due to lawsuit or system upgrade for compliance	Claim increased 10%, unrecoverable from RI. One-off legal expenses of 500,000 USD in 2025.
S3 – Natural Catastrophe risk	Catastrophic storm happens, impacting Property/Construction line	Gross and net loss equivalent to the 150% Yagi loss in 2024. RI premium increases by 5% from 2025 onward
S4 – Underwriting risk - Underpricing	Underpricing leads to higher claim than expected	Ratio Claim/GWP increased by 10 percentage points. Premium increases 10% due to customers making use of the underpricing from 2026 onward. Expenses increase by 5%
S5 - Market risk	Difficulties in general economies drive down investment income	Investment rate of returns reduces 100 basis point from 2025 onward
S6 – Reinsurance Credit risk	Impossible to recover the OS claim ceded to reinsurers	Loss of OS claim ceded to reinsurers, actual TMIV's paid claim would be 100% gross OS claim
Aggregation	Combine S3 and S4. S3 and S4 have the 2nd and 3rd largest impact on Solvency and are among the material risks identified by TMIV (refer to Section 2, part 3) or have higher likelihood than other scenarios.	

2. Test Results

- **S1 – Operational risk:**

S1 represents the operational risks the company may encounter. In this scenario, it is assumed that certain operational risks materialize, such as a data breach or human error, leading to a one-time expense increase of USD 1 million in 2025, along with a +10% rise compared to the baseline in 2025 and +5% in 2026. Expenses return to baseline from 2027 onward.

Due to the assumed incident, GWP declines by 5% in 2025 before returning to baseline in 2026. The impact on the solvency margin is minimal, with the ratio decreasing by a maximum of 37%, yet remaining above 370% throughout all five years.

Table 8: S1 result
Unit: Mil VND

Criteria	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Owner equity & Funds	642,007	635,275	674,961	735,512	808,543	897,058
Net Profit after tax	121,431	33,985	86,401	117,461	135,632	157,376
Loss ratio	44.9%	46.6%	46.3%	45.9%	45.7%	45.4%
GWP	1,037,244	1,118,977	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	366,673	447,915	516,833	590,942	675,676
Solvency margin of TMIV	573,830	567,813	603,285	657,406	722,681	801,796
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	77,918	95,182	109,827	125,575	143,581
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	118,891	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	448,922	459,657	493,183	534,911	587,101
By Ratio	524%	478%	420%	400%	385%	373%
Deviation from base		**-12%**	**-37%**	**-33%**	**-29%**	**-25%**

- **S2 – Legal risk:**
  S2 highlights the legal risks the company may encounter. In this scenario, inconsistencies between product Terms & Conditions and regulatory requirements lead to higher-than-expected claim payouts. Additionally, the company incurs a one-time legal expense of USD 500,000 due to a lawsuit or necessary system upgrades for compliance.
  As a result, claims increase by 10% in 2025 without any recovery from reinsurance, causing net profit after tax to drop to VND 41 billion, and the solvency margin to decrease to 459%, deviating from the base scenario by -31%. However, the company's financial position remains stable, with owner equity and funds recovering from VND 642 billion in 2025 to VND 914 billion by 2029.

Despite the initial impact, the solvency margin stabilizes over time, ensuring the company's ability to meet its regulatory requirements and maintain financial resilience.

Table 9: S2 result
Unit: Mil VND

Criteria	2024	2025	2026	2027	2028	2029
Owner equity & Funds	642,007	642,343	692,048	752,599	825,630	914,144
Net Profit after tax	121,431	41,053	96,419	117,461	135,632	157,376
Loss ratio	44.9%	58.0%	46.3%	45.9%	45.7%	45.4%
GWP	1,037,244	1,177,870	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	385,972	447,915	516,833	590,942	675,676
Solvency margin of TMIV	573,830	574,131	618,557	672,678	737,953	817,068
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	82,019	95,182	109,827	125,575	143,581
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	448,982	474,929	508,455	550,183	602,373
By Ratio	524%	459%	431%	410%	393%	381%
Deviation from base		**-31%**	**-27%**	**-23%**	**-20%**	**-18%**

- **S3 – Natural catastrophe - Storm:**
  S3 represents the potential impact of a catastrophic storm on the company's financial position. In this scenario, a severe storm results in substantial losses within the Property and Construction insurance lines, with both gross and net losses reaching 150% of the Yagi loss recorded in 2024. While claims are recoverable through the XOL (Excess of Loss) reinsurance program, the reinsurance premium increased by 5% from 2025 onward, negatively affecting profitability and equity.

  This event leads to a significant increase in the loss ratio, peaking at 114% in 2025, causing a net loss of approximately VND 103 billion that year. Although profitability gradually recovers from 2026, the increase in reinsurance premium impacts long-term earnings. The solvency margin experiences a notable decline, with the solvency ratio dropping by up to 134% compared to the baseline, yet it remains above regulatory requirements, ensuring continued operational stability.

Table 10: S3 result

Unit: Mil VND

Criteria	2024	2025	2026	2027	2028	2029
Owner equity & Funds	642,007	498,182	521,302	551,610	590,061	639,038
Net Profit after tax	121,431	-103,109	69,835	87,218	101,052	117,838
Loss ratio	44.9%	114.8%	51.5%	51.0%	50.7%	50.4%
GWP	1,037,244	1,177,870	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	346,377	402,721	465,394	532,126	608,427
Solvency margin of TMIV	573,830	445,278	465,943	493,033	527,401	571,176
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	73,605	85,578	98,896	113,077	129,291
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	320,130	322,315	328,810	339,630	356,481
By Ratio	524%	356%	324%	300%	281%	266%
Deviation from base		**-134%**	**-133%**	**-133%**	**-133%**	**-132%**

- **S4 -Underwriting risk**

  S4 depicts the risk of underpricing underwriting products due to incorrect assumptions about claim costs, loss trends, and risk assessments.

  S4 has a significant impact on the company's financial position, primarily due to increased claims resulting from underpricing. The Claim/GWP ratio rises by 10 percentage points, leading to a higher loss ratio, which peaks at 59.8% in 2025 before gradually improving. Although premium volume grows by 10% from 2026 onward as customers take advantage of the underpricing, expenses also increase by 5%, putting additional pressure on profitability. Net profit after tax drops sharply to VND 45.6 billion in 2025 before recovering in subsequent years.

Despite the quota-share reinsurance arrangement mitigating claim increases, the solvency margin experiences a continuous decline, dropping from 524% in 2024 to 291% in 2029. Compared to the baseline, the solvency ratio deviation reaches -27% in 2025 and further deteriorates to -107% by 2029. However, the company remains above the minimum solvency requirements, maintaining a buffer against financial strain.

Table 11: S4 result

Unit: Mil VND

Criteria	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Owner equity & Funds	642,007	646,865	666,320	692,494	726,181	769,753
Net Profit after tax	121,431	45,574	66,170	83,084	96,289	112,433
Loss ratio	44.9%	59.8%	59.4%	59.0%	58.7%	58.4%
GWP	1,037,244	1,177,870	1,486,974	1,700,191	1,943,980	2,222,726
NWP	342,462	385,972	492,706	568,517	650,036	743,244
Solvency margin of TMIV	573,830	578,172	595,562	618,956	649,066	688,011
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	82,019	104,700	120,810	138,133	157,939
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	157,991	180,645	206,548	236,165
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	453,024	437,571	438,311	442,518	451,846
By Ratio	524%	462%	377%	343%	314%	291%
Deviation from base		**-27%**	**-80%**	**-90%**	**-99%**	**-107%**

- **S5 – Market risk – Interest rate:**

S5 represents the impact of economic difficulties on the company's investment income. In this scenario, a downturn in the general economy leads to a reduction in the investment rate of return by 100 basis points from 2025 onward. As a result, net profit after tax declines compared to the baseline, reaching VND 74.6 billion in 2025 and gradually recovering to VND 141.2 billion by 2029.

Despite the decline in investment returns, the company's financial performance remains stable, with owner equity and funds growing from VND 642 billion in 2024 to VND 894 billion in 2029.

However, the solvency margin experiences a gradual decline, decreasing from 524% in 2024 to 372% in 2029. Compared to the baseline, the deviation in the solvency ratio starts at -7% in 2025 and reaches -26% by 2029. Nevertheless, the company continues to maintain a strong solvency buffer above regulatory requirements.

Table 12: S5 result

Unit: Mil VND

Criteria	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Owner equity & Funds	642,007	675,905	714,794	762,981	821,873	894,223
Net Profit after tax	121,431	74,614	85,605	105,096	121,494	141,211
Loss ratio	44.9%	46.6%	46.3%	45.9%	45.7%	45.4%
GWP	1,037,244	1,177,870	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	385,972	447,915	516,833	590,942	675,676
Solvency margin of TMIV	573,830	604,128	638,888	681,958	734,596	799,263
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	82,019	95,182	109,827	125,575	143,581
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	478,980	495,260	517,735	546,825	584,567
By Ratio	524%	483%	445%	415%	391%	372%
Deviation from base		**-7%**	**-13%**	**-18%**	**-22%**	**-26%**

- **S6 – Reinsurance Credit risk**

  S6 highlights the financial impact of a reinsurer's bankruptcy, specifically trade credit reinsurers—failing to pay recoveries. In this scenario, TMIV is required to cover 100% of the gross outstanding claims originally ceded to reinsurers. This results in severe financial strain, causing owner equity and funds to plummet from VND 642 billion in 2024 to VND 362 billion in 2025 before gradually recovering to VND 634 billion by 2029.

  Net profit after tax turns negative in 2025, recording a substantial loss of VND 238 billion before returning to positive figures in subsequent years. The loss ratio spikes drastically to 179.3% in 2025 due to the unexpected claim burden but stabilizes afterward. As a result, the solvency margin declines significantly, reducing to 259% in 2025, with a deviation from the baseline reaching -230%. While the solvency position gradually recovers over time, the company faces a prolonged financial impact, highlighting the critical importance of counterparty risk in reinsurance arrangements.

Table 13: S6 result

Unit: Mil VND

Criteria	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Owner equity & Funds	642,007	362,834	412,538	473,090	546,120	634,635
Net Profit after tax	121,431	-238,456	96,419	117,461	135,632	157,376
Loss ratio	44.9%	179.3%	46.3%	45.9%	45.7%	45.4%
GWP	1,037,244	1,177,870	1,351,795	1,545,628	1,767,254	2,020,660
NWP	342,462	385,972	447,915	516,833	590,942	675,676
Solvency margin of TMIV	573,830	324,304	368,730	422,851	488,126	567,241
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	82,019	95,182	109,827	125,575	143,581
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	143,628	164,223	187,771	214,695
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	199,155	225,101	258,628	300,355	352,546
By Ratio	524%	259%	257%	257%	260%	264%
Deviation from base		**-230%**	**-201%**	**-176%**	**-154%**	**-134%**

- **Aggregation:** Combine S3 and S4. S3 and S4 have the 2nd and 3rd largest impact on Solvency and are among the material risks identified by TMIV (refer to Section 2, part 3) or have higher likelihood than other scenarios.

Table 14: Combine S3 and S4 result

Unit: Mil VND

Criteria	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Owner equity & Funds	642,007	459,719	449,932	442,838	438,488	438,568
Net Profit after tax	121,431	-141,571	36,928	49,816	58,251	68,942
Loss ratio	44.9%	129.5%	66.1%	65.5%	65.2%	64.9%

GWP	1,037,244	1,177,870	1,486,974	1,700,191	1,943,980	2,222,726
NWP	342,462	346,377	442,993	511,933	585,339	669,270
Solvency margin of TMIV	573,830	410,900	402,152	395,812	391,923	391,995
Minimum Solvency margin						
25% of total net written premium of all effective policy at the time of calculation of solvency margin	69,997	73,605	94,136	108,786	124,384	142,220
12,5% of total gross premium (including direct and reinsurance inward) of all effective policies at the time of calculation of solvency margin	109,479	125,149	157,991	180,645	206,548	236,165
Compare enterprise SM with Minimum Solvency Margin						
By Amount	464,351	285,752	244,161	215,166	185,376	155,831
By Ratio	524%	328%	255%	219%	190%	166%
Deviation from base		**-161%**	**-203%**	**-214%**	**-224%**	**-232%**

3. Analysis of capabilities of maintaining ongoing business activities in case of any disadvantage that occurs

Table 15: Solvency margin ratio in all scenarios

	2024	**2025**	**2026**	**2027**	**2028**	**2029**
Baseline (S0)	524%	489%	457%	433%	413%	398%
S1	524%	478%	420%	400%	385%	373%
S2	524%	459%	431%	410%	393%	381%
S3	524%	356%	324%	300%	281%	266%
S4	524%	462%	377%	343%	314%	291%
S5	524%	483%	445%	415%	391%	372%
S6	524%	259%	257%	257%	260%	264%
Aggregation S3+S4	**524%**	**328%**	**255%**	**219%**	**190%**	**166%**

The results of our stress test demonstrate that our company maintains a sufficient capital buffer under all tested scenarios. Even under the most severe conditions, our solvency margin ratio remains well above the regulatory minimum, ensuring our ability to continue operations without disruption. In the baseline scenario (S0), the solvency margin ratio gradually decreases from 524% in 2024 to 398% in 2029. Under individual stress scenarios (S1–S6), the ratio remains above 200% at almost all times, with the lowest point observed in the aggregated extreme scenario (S3+S4), where it reaches 166% in 2029. These results confirm that our capital position is resilient, allowing us to withstand adverse market conditions while maintaining financial stability and operational continuity.

Threshold for internal capital level (ITCL) management: In 2025, if the solvency ratio is 204%, TMIV has the risk the solvency ratio would further drop to 100% in 2029. Therefore, TMIV have 3~4 year to implement capital management actions if the ITCL is breached. We propose the ITCL suggestion is 200% instead of 204% for ease of management; and it also matches the current internal KRI.

LEGAL REPRESENTATIVE

(Signature, full name and seal)

CÔNG TY TRÁCH NHIỆM HỮU HẠN BẢO HIỂM TOKIO MARINE VIỆT NAM

S.G.P: 65-C.T.T.N.H.H

Q. HOÀN KIẾM - T.P HÀ NỘI

YASUHIRO TAKEDA

Tổng Giám đốc

Recipients:

- As stated above;
- Stored in: RMD

Appendix: TMHD ERM Overview

Tokio Marine Holdings, Inc. (Hereinafter "HD")

1. Tokio Marine Group's Overall Picture

- Tokio Marine Group is engaged in domestic non-life insurance, domestic life insurance, international insurance, and financial and general businesses.
- The following is a diagram of business as of March 31, 2024.

＜Business Diagram＞

Note: ◎indicates consolidated subsidiaries; △indicates equity-method affiliates

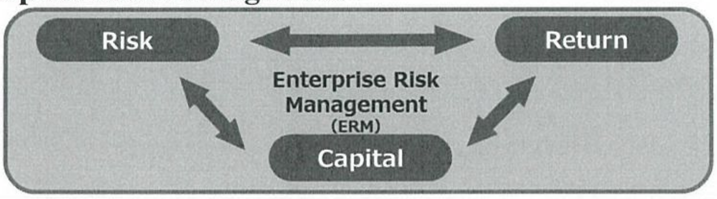
Tokio Marine Holdings, Inc.

- Domestic Non-Life Insurance Business
  - ◎ Tokio Marine & Nichido Fire Insurance Co., Ltd.
  - ◎ Nisshin Fire & Marine Insurance Co., Ltd.
  - ◎ E. design Insurance Co., Ltd.
  - ◎ Tokio Marine Millea SAST Insurance Co., Ltd.
- Domestic Life Insurance Business
  - ◎ Tokio Marine & Nichido Life Insurance Co., Ltd.
- International Insurance Business
  - ◎ Tokio Marine North America, Inc.
  - ◎ Philadelphia Consolidated Holding Corp.
  - ◎ Delphi Financial Group, Inc.
  - ◎ HCC Insurance Holdings, Inc.
  - ◎ Privilege Underwriters, Inc.
  - ◎ Tokio Marine Kiln Group Limited
  - ◎ Tokio Marine Asia Pte. Ltd.
  - ◎ Tokio Marine Life Insurance Singapore Ltd.
  - ◎ Tokio Marine Seguradora S.A.
  - △ IFFCO-TOKIO General Insurance Company Limited
- Financial and Other Businesses
  - ◎ Tokio Marine Asset Management Co., Ltd.

2. ERM in management strategies and risk culture (as of September 2024)

- We, Tokio Marine Group (hereinafter the Group), promote Enterprise Risk Management (ERM) as the platform on which we pursue our business strategies. We are constantly aware of the relationship between risk, capital, and return to achieve both capital adequacy and profitability in balance with risk and thereby achieve capital efficiency that exceeds cost of capital. Through this approach, we will seek to maintain financial soundness while realizing ongoing improvements in corporate value.
- The range of risks the Group faces is growing ever more diverse and complicated as we have developed our business globally and the business environment changes. Moreover, the highly uncertain and drastically changing political, economic, and social trends urge us to keep vigilant and always prepare for new risks. From this perspective, it is important for the Group to strengthen its ERM framework with the quantitative and qualitative monitoring of risks to effectively balance capital, risk and return groupwide.

＜Enterprise Risk Management＞



$$\underbrace{\frac{\text{Return}}{\text{Capital}}}_{\textbf{ROE}\ \text{[Return on Equity]}} = \underbrace{\frac{\text{Risk}}{\text{Capital}}}_{\textbf{Capital Adequacy}} \times \underbrace{\frac{\text{Return}}{\text{Risk}}}_{\textbf{ROR}\ \text{[Return on Risk]}}$$

- In the current mid-term business plan started in FY2024, the second and third lines of defense (HD Risk Management Dept., Legal and Compliance Dept., and Internal Audit Dept.) formulated their mid-term plans to further promote the establishment and enhancement of group governance by the 2nd and 3rd lines.

(1) Mid-Term Business Plan of the Second and Third lines of Defense

- Basic policy for initiatives is outlined as below. In order to achieve group-wide major strategy, 'Strengthen/enhance internal controls/governance', roles of second- and third- lines at HD and group companies shall be further defined, while group governance and supports of HD to group companies, as well as functional consolidations, shall be pursued, both at international and Japan business, through building business foundation by utilizing & training skilled personnel at the global levels.

<Major Initiatives>

<Major Initiatives>	Risk Management	Legal & Compliance	Internal Audit
Capabilities	✓ Enhancement of governance by further clarifications & optimization of roles at 2nd & 3rd lines of defense ✓ Review at each department of HD's supports/assistance to group companies ✓ Study of possible group consolidations at common functions		

<table>
<tr><td>Major Initiatives</td><td colspan="2">Enhancement of ERM risk quantifications
- In view of upcoming introductions of IFRS and economic-based solvency

Strengthen emergency responsiveness
- In addition to operational resilience (BCP), enhance underwriting risk management & Investment risk management.

Enhance communications to management as well as business 1st lines</td><td><Compliance>
- AML/CFT, information security, bribery: HD's on-site monitoring
- Unfair competition, human rights (outsourcing related): HD to consider group wide frameworks
- Customer protection:
Strengthen HD's check functions for group companies

<Legal>
- HD's involvement towards material legal incidents of group companies

<M&A>
Strengthen HD's legal risk management during the M&A processes</td><td>Launch of Group Audit Committee and its administration

Strengthen functions based on EQA results
- Execute initiatives at HD
- Review of HD's involvement/supports to group companies

Strengthen Internal Audit capabilities
- Build audit capabilities that can execute necessary thematic audit, direct audit, joint audit, agile audit
- Flexible re-allocation of audit resources based on the situations

Strengthen communications with group companies
- Strengthen International Head of Internal Audit</td></tr>
<tr><td rowspan="3">Foundation</td><td>Human Resources</td><td colspan="3">✓ Recruiting, training, and utilizing skilled personnel globally (Career development programs, talent secondment programs among group companies, etc.)
✓ Identifying future management talents. Promoting talent recruitment and training.
✓ Global training of future management talents</td></tr>
<tr><td>Intelligence</td><td colspan="3">Build information network and infrastructures that enables forward-looking governance</td></tr>
<tr><td>Data / Technologies</td><td colspan="3">Build technologies / IT system foundation that enables data-driven governance</td></tr>
<tr><td colspan="2">Communication</td><td colspan="3">Continuous close communications with group companies that enables forward-looking governance</td></tr>
<tr><td colspan="2">Risk Culture</td><td colspan="3">Continuous communications from HD to 1st lines and managements of group companies</td></tr>
</table>

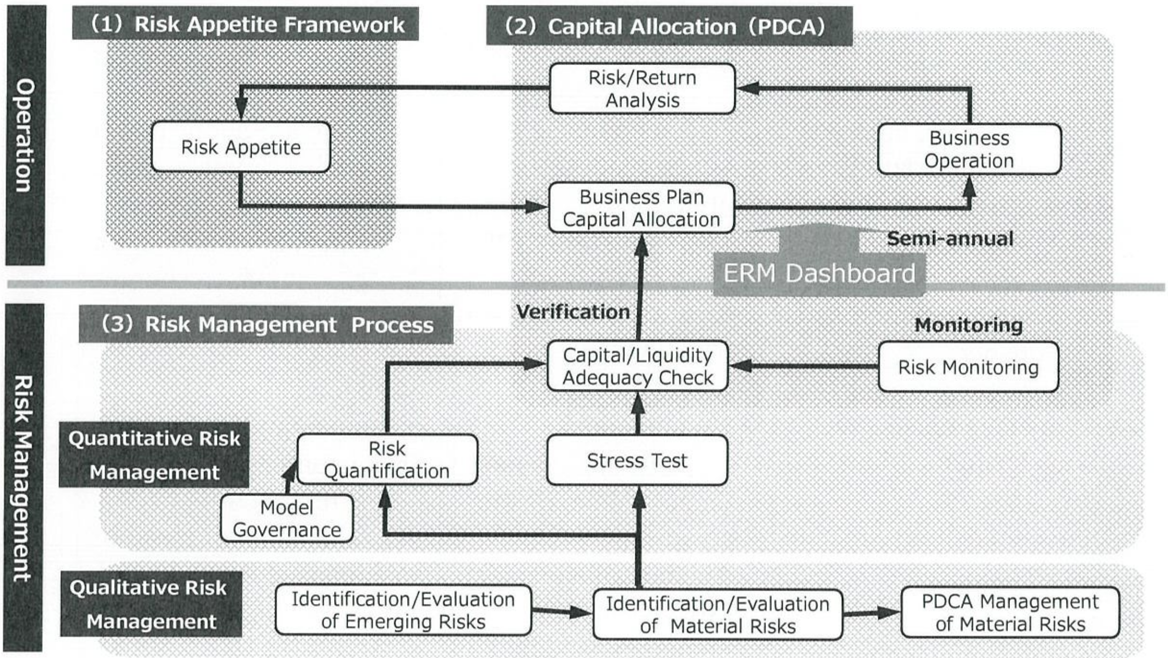
3. Overall framework of Tokio Marine Group's ERM activities (as of September 2024)

The Group's ERM framework consists of the following three items.

(1) Risk Appetite Framework: Basic management guidelines for the extent and type of risks which we prefer to take to make returns in a particular business field

(2) Capital allocation (PDCA): Process for preparing, implementing and reviewing capital allocation plans (PDCA) under the risk appetite framework

(3) Risk management process: Process for identifying risks that exert significantly large effects on the Group's financial soundness, business continuity, etc., and assessing relevant effects qualitatively and quantitatively.



4. Tokio Marine Group's Risk Appetite Framework (as of September 2024)

(1) "Risk Appetite Framework" is set up.

(2) "Risk Appetite Framework" consists of "Risk Appetite Statement", "Quantitative Appetite Standard" and "Risk Strategy".

(3) "Risk Appetite Statement" qualitatively expresses the group-wide risk appetite in terms of what kind of risks the Group can take in what business area to what extent, and states the scope, direction and concerns of key risk-takings, and the approach to the balance between capital and risks.

(4) "Quantitative Appetite Standard" defines a quantitative standard related to risk-taking policies, such as the target range of ESR and the financial leverage.

(5) "Risk Strategy" describes the qualitative risk-taking policy and the future direction of capital allocation by risk categories such as NAT-CAT risk and business-related equity risk.

(6) "Risk Appetite Framework" of the current mid-term business plan is as follows.

＜Risk Appetite Statement＞

Risk Appetite Statement
• As a global insurance group, conduct risk-taking mainly in insurance business (underwriting and investment risks). ➢ As for insurance underwriting risks, expand risk taking globally and aim to achieve steady profit growth and enhance capital efficiency through risk diversification. ➢ As for investment risks, make asset management in line with the characteristics of insurance liabilities as the first principle, and aim to accomplish steady increase of profit by investing in assets with high return on risk while maintaining liquidity needed for claims payments and other capital needs. ➢ As for solution business risk, consider the low capital burden and the potential contribution to improving capital efficiency and aim to achieve profit contribution through the expansion of value-providing areas that contribute to solving social issues.
• Achieve proper balance between risk and capital enabling the group to maintain capital level comparable to AA (Aa) credit ratings and continue operation even under the stress scenario.
• Aim to achieve double digit ROE steadily in the future by continuous profit growth while paying attention to stability.

5. Organizational Framework for ERM (as of September 2024)

- The Group promotes ERM at the initiative of HD. For overseas group companies, HD International Business Development Dept. (hereinafter IBDD) and HD Risk Management Dept. take the initiative in promoting ERM through the board of directors.
- The organization that promotes ERM at each company is mainly the board of directors. HD has set up the ERM Committee as a management committee to have substantial discussions on various ERM challenges. This committee discusses policies on important matters related to ERM.

6. Risk Management Policies, Standards and Communication (as of September 2024)

- HD has set up the rules on its capital allocation system and risk management as ERM-related rules.
- HD has set up the "Tokio Marine Group Basic Policy for Capital Allocation System" as the rules stipulating standards for the Group's capital allocation system.
- In addition, HD has set up three basic policies for risk management as the Group's risk management rules: "Tokio Marine Group Basic Policy for Risk Management," "Tokio Marine Group Basic Policy for Integrated Risk Management", and "Tokio Marine Group Basic Policy for Crisis Management". Group companies have set up their own rule structures in line with the three basic policies to conduct risk management.
- In order to have a consistent and standardized view of risk as a part of the Group's quantitative risk management, HD has set up the "Standard Capital Modeling Manual for Overseas Operation" (SCM Manual). Overseas group companies quantify risk according to the SCM Manual so that HD is able to integrate all risk information gathered from overseas group companies in consistent manner and capture the full risk profile of the entire international insurance business.
- For qualitative risk management, IBDD has promoted and conducted comprehensive risk management for overseas group companies by preparing "Control Standards" (minimum internal control standards) based on the basic group policies, etc., and the Risk Management Dept. monitors the compliance status.
- Dotted Reporting Line (a system where a CRO of overseas group companies directly reports to Group CRO (GCRO) in addition to its CEO) was established between the GCRO and CROs of major overseas group companies in order to strengthen the risk management framework between HD and overseas group companies, and the operation commenced in September 2018.

Specifically, meetings are held about once a quarter between GCRO and CRO of the major overseas group companies for information sharing with HD and promoting the PDCA cycle of ERM enhancement at each overseas group companies.

7. IBDD's Role in ERM (as of September 2024)

The following are the key ERM tasks of IBDD responsible for the international insurance business that has become increasingly important in the progress of globalization

a. IBDD promotes and implements ERM throughout the international insurance business as a managing division of the entire international insurance business.

b. In the event that a material risk management issue defined in the case report criteria is detected, overseas group companies concerned shall promptly report the issue to the officer in charge of international business management, the Risk Management Dept., and other relevant departments through IBDD.

c. In addition, IBDD is also closely involved in the management strategy, management plan, business plan and goal setting process of overseas group companies, through the following ERM processes.

(a) IBDD decides the basic policy, schedule, formulation method, etc., of the mid-term management plan and annual plan of overseas group companies, based on the Group's overall policy including risk appetite, and provides instruction on the companies usually every June (if there is an intermediate management company, IBDD provides instruction on the intermediate management company).

(b) IBDD closely examines the content of the mid-term management plan and annual plan based on full collaboration with overseas group companies, etc., with consideration of assumptions concerning capital, risk amount, insurance underwriting and investment and the business environment, etc., of each overseas group companies (usually every September), and compiles the drafts of the mid-term management plan and annual plan (including risk appetite) after holding discussion at IEC, CEO conferences, etc., as needed. After the above process, the drafts are determined by the Officer in charge of International Business Management following preliminary consultation by relevant HD officers and a proposal to HD Management Meeting (a provisional plan in December and a final plan in April of the following year) and reported to HD Board of Directors.

(c) Regarding the credit risk and the hurricane risk in North America, which are peak risks in international insurance business, IBDD, in full collaboration with overseas group companies, checks and reviews that the planned content is consistent with the risk appetite and verifies that there is no excessive risk taking. Consistency with risk appetite is also discussed and confirmed by IEC, the CEO conference and other meeting bodies as necessary.

8. Future direction of ERM (as of September 2024)

- HD will continue to implement PDCA for business plans and capital allocation in accordance with "Risk Appetite Framework", review risk strategies in response to changes in the business environment, and exercise ERM to improve capital efficiency and strengthen our management base.
- In addition, HD will continue to work on strengthening operational resilience so that we can continue our business or quickly recover from material risk events.