TOKIO MARINE INSURANCE VIETNAM CO. LTD.

SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

No.: ………/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**.
+ **Risk management guideline**
+ **Risk appetite**
+ **Risk tolerance/limit**.
+ **Policy and plan for business continuity**
+ 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.

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.

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**
- 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 3: 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

	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)

Recipients:
- As stated above;
- Stored in: RMD

Appendix: TMHD ERM Overview

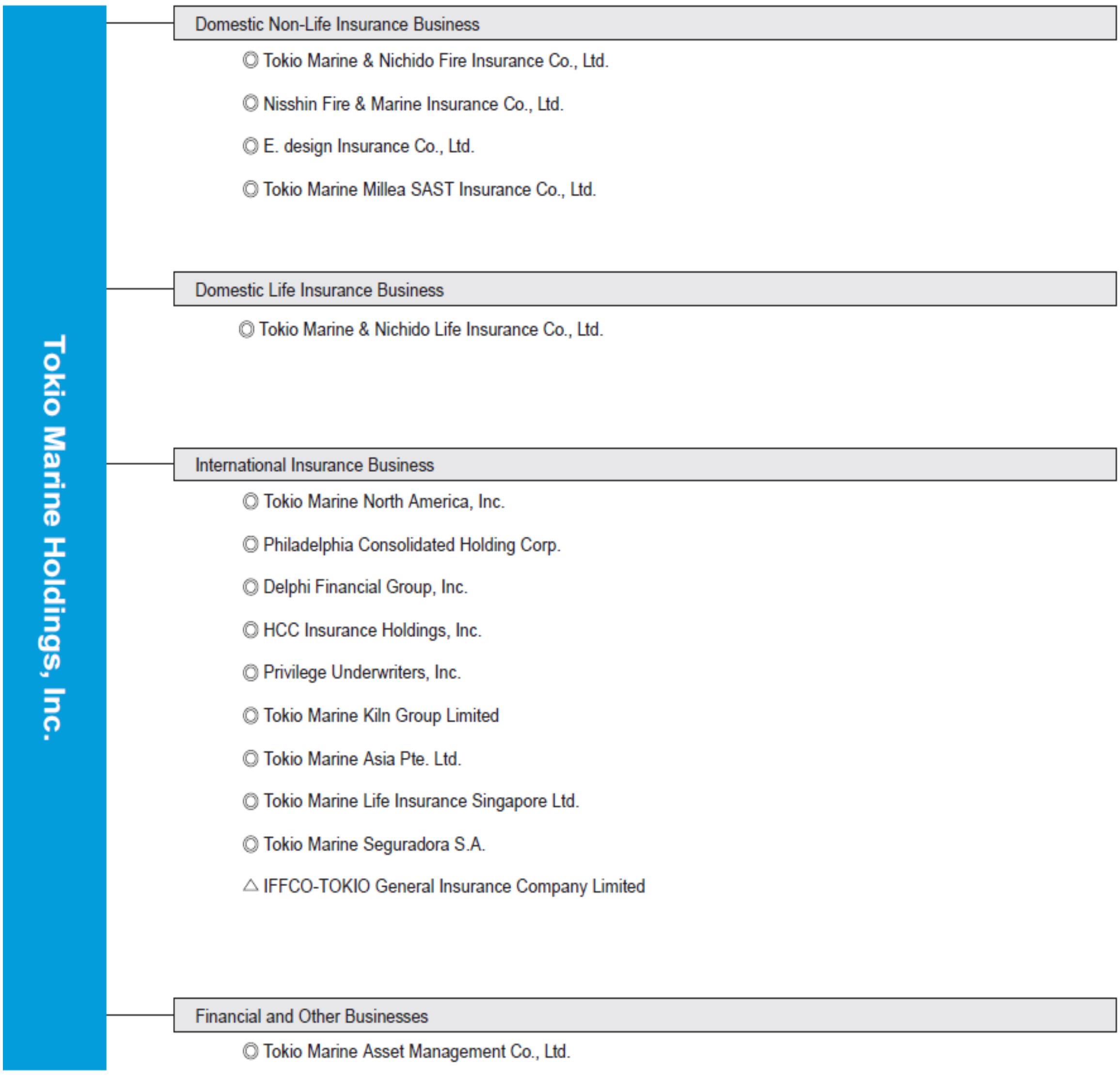
Tokio Marine Holdings, Inc. (Hereinafter "HD")

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



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＞

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

- 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		

Major Initiatives	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	<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	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
Foundation	Human Resources	✓ 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	
	Intelligence	Build information network and infrastructures that enables forward-looking governance	
	Data / Technologies	Build technologies / IT system foundation that enables data-driven governance	
Communication		Continuous close communications with group companies that enables forward-looking governance	
Risk Culture		Continuous communications from HD to 1st lines and managements of group companies	

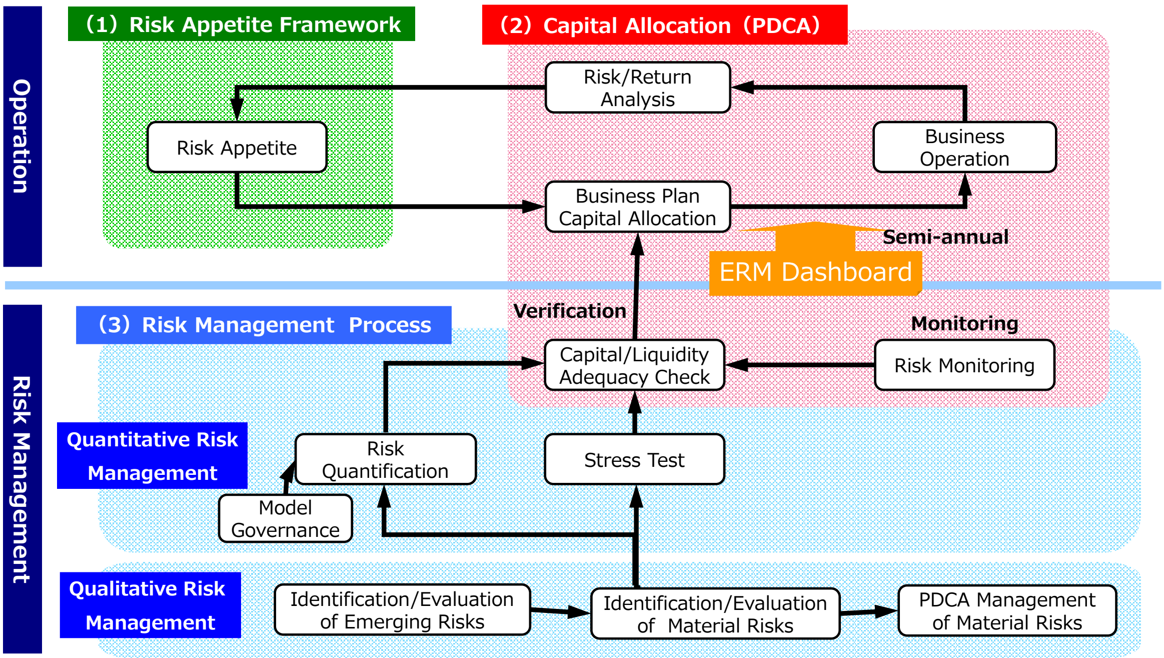
3. Overall framework of Tokio Marine Group's ERM activities (as of September 2024)

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.