

March 15, 2024

Company Name : Sompo Holdings, Inc.
Representative : Kengo Sakurada, Group CEO
Director, Chairman and Representative
Executive Officer
(Stock Code: 8630, Prime Market of Tokyo Stock Exchange, Inc.)

Submission of a Business Improvement Plan

Sompo Holdings, Inc. (Group CEO, Director, Chairman and Representative Executive Officer: Kengo Sakurada, hereinafter “Sompo Holdings”) and Sompo Japan Insurance Inc. (President and CEO: Koji Ishikawa, hereinafter “Sompo Japan”) today submitted business improvement plans to the Financial Services Agency in accordance with a business improvement order dated January 25, 2024 regarding their measures to address fraudulent automobile insurance claims and related matters (hereinafter, the “administrative disposition”).

Regarding the administrative disposition, Sompo Holdings and Sompo Japan sincerely apologize to their customers and many other related parties for the inconvenience and concern caused by their practices.

Sompo Holdings and Sompo Japan take this situation very seriously. Based on the administrative disposition, along with the causal analysis and recommendations for recurrence prevention measures by the external investigation committee (chaired by 3 members including Lawyer Mikio Yamaguchi), the two companies have formulated business improvement plans that dramatically overhaul a wide range of systems including internal management systems encompassing the claims payment and management system, the agency management (insurance sales management) system, the sales promotion system, the governance system, and the “three lines of defense” management system*, and the corporate culture, with the aim of preventing these circumstances from being repeated in the future.

* An approach to establishing robust internal controls by classifying divisions within the organization into three lines, specifically the (1) operations division (2) management division, and (3) internal audit division, and ensuring that each line fulfills its risk management role.

Looking ahead, all officers and employees, including the management team, are strongly determined to build a new company. Under the leadership of the management team, company-wide efforts will be undertaken to diligently implement the business improvement plans and prevent a recurrence and restore the trust of its customers and society at large.

Along with this, Sompo Holdings and Sompo Japan will strengthen areas such as corporate culture reforms, brand recovery, compliance promotion, and quality control on a Group-wide basis. By doing so, the two companies will ensure that business management is transparent, fair, and appropriate in terms of legal compliance, customer-oriented business operations, and societal viewpoints.

Overviews of the business plans of Sompo Holdings and Sompo Japan are presented in attachments 1 and 2, respectively.

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Overview of Sompo Holdings' Business Improvement Plan

1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established

(1) Strengthen and improve the effectiveness of Group governance

Items ① through ⑥ below shall be common policies for the Group (major domestic operating subsidiaries). Based on these policies, Sompo Holdings will monitor the supervisory status of Sompo Japan's Board of Directors and other bodies and the functioning of internal controls centered on the three lines of defense through the improvement measures laid out in (2) through (7) below.

- ① The boards of directors of the operating companies shall revise, in principle, their structure of having the top executive also serve as the chair. By sending more Sompo Holdings officers to serve as directors of Group companies, Sompo Holdings will work to separate supervision and business execution in order to bolster the supervisory structure.
- ② Advance briefings and other explanations on the business execution of operating companies will be provided to non-executive directors to ensure that deliberations are undertaken thoroughly in Board of Directors' meetings.
- ③ The Board of Directors' Regulations should be developed to ensure that items that should be deliberated in Board of Directors' meetings are clearly understood.
- ④ Information sharing between every director and executive should be actively undertaken even in normal times, regardless of whether or not an issue is on the Board of Directors' meeting agenda. This will provide an opportunity to identify warning signs in areas such as customer protection, legal compliance, internal control, and reputation.
- ⑤ The Board of Directors' advice and instructions will be promptly communicated to executive management, and responses will be traced.
- ⑥ The effectiveness of internal controls will be enhanced by maintaining a constant awareness of the importance of improving the governance system within executive management.

(2) Revise the institutional design of operating companies (major domestic companies)

(3) Appoint a Chief Compliance Officer

(4) Establish a Compliance Office

(5) Appoint a Chief Internal Audit Officer

(6) Clearly define the relationships between Group Chief Officers (CxO) and Chief Officers (CxO) of individual companies

(7) Strengthen specialized personnel

2. As an insurance holding company, establish a system to ensure sound and appropriate management of the operations of subsidiary insurance companies (including measures to carry out timely and appropriate monitoring of Sompo Japan's internal controls and conduct appropriate business management)

(1) Monitoring system for internal controls over subsidiaries' key measures and other activities

① Strengthen monitoring of key measures and other activities

Thoroughly conduct advance risk assessment and follow-up monitoring of key measures and other activities

② Monitoring of the adequacy and effectiveness of Sompo Japan's internal controls

The Group CRO and Chief Compliance Officer will conduct supervision and monitoring of the adequacy and effectiveness of Sompo Japan's internal controls and will report to the Audit Committee every quarter to improve the effectiveness of audits by the Audit Committee through ③ below.

In particular, recurrence prevention measures listed in the business improvement plan formulated by Sompo Japan will be intensively supervised and monitored as follows.

a. Monitoring of insurance sales/policy management system

b. Monitoring of the claims payment and management system

c. Monitoring of customer feedback management system

d. Monitoring of management system in which customers suffer harm

e. Monitoring of conflict-of-interest management system

③ Audits of the status of development and operation of internal controls, including progress management on the improvement plan, by the Audit Committee

(2) Information sharing and reporting system regarding the recent spate of problems

① Develop a system for subsidiaries' key information to be reported to Sompo Holdings without omission

a. Reestablish reporting rules on key matters from subsidiaries to Sompo Holdings

② Establish a system to actively obtain subsidiaries' key information

a. Constantly monitor management status and be directly involved in formulating measures through integrated management with Sompo Japan's head office departments and mutual concurrent appointments of officers and employees

b. Sompo Holdings' officers will officially participate in various important meetings of Sompo Japan

c. Bolster informal communication

d. Strengthen risk assessment

e. Encourage use of the whistleblowing system and improve its reliability

(3) Internal audit system

Confirm and assess the appropriateness and other aspects of the actual state of internal controls at Sompo Japan

3. Establish a system to foster in subsidiary insurance companies a healthy organizational culture prioritizing not sales but compliance and customer protections (including corrective measures for a company culture that prioritizes the company's interests over the interests of its customers)

(1) Revising, instilling, and implementing a Group Corporate Philosophy framework

Sompo Holdings will revise the Group Corporate Philosophy framework, including developing principles of conduct that Group officers and employees must follow in order to transform their views, ideas, values and behavior. By thoroughly instilling and implementing this framework, Sompo Holdings aims to build a corporate culture that encourages employees to speak up and embraces diverse perspectives and ideas.

(2) Follow up on progress with instilling a corporate culture

4. Clarify where management responsibility lies

Management responsibility will be clarified as announced in the news release issued on February 29, 2024.

Overview of Sampo Japan's Business Improvement Plan

1. Drastically strengthen governance to diligently implement the business improvement plan and ensure measures are firmly established

(1) Appoint outside directors*

Sampo Japan will become a company with an Audit & Supervisory Committee, etc., which is one of the governance models set forth by the Companies Act. It will enhance fairness in the Board of Directors by appointing outside directors. Concurrently, it will strengthen supervisory functions by forming an Audit & Supervisory Committee, etc., with a majority of outside directors, to perform audits extending to the propriety of decision-making.

(2) Governance system of the holding company over individual non-life insurance companies*

Regarding the composition of the Board of Directors, the holding company's supervision will be strengthened by having approximately the same number of concurrent directors at the holding company and executive directors at Sampo Japan.

(3) Enhance the roles of officers in charge of second and third lines*

- Establish the new post of Chief Compliance Officer (CCoO) with the goal of minimizing compliance risk by establishing an appropriate system for legal and regulatory compliance through such means as monitoring and training, as well as operation of whistleblowing systems
- Establish the new post of Chief Quality Officer (CQO) with the goal of achieving improved customer evaluations by building a system to promote operational improvements from the customers' viewpoint through quality control.
- Turn the internal audit section into an organization that reports directly to the president.

(4) Establish new committees*

- In addition to the Internal Management Committee, which has already been established as an advisory body to the Executive Committee, Sampo Japan will newly establish the Quality Control Committee to hold highly transparent and specialized discussions on the status of customer-first business operations and management priorities such as conduct risk, with external members also included in the discussions.

(5) Implement audits by the Audit & Supervisory Committee, etc.*

- Verify the status of establishment and operation of the internal control system through audits by the Audit & Supervisory Committee, etc. Such audits will comprise interviews with directors, executive officers, Head Office departments, sales departments and branches and claims service departments and branches, and attendance at important meetings, among other activities.
- Strengthen collaboration through measures such as holding meetings between the Audit & Supervisory Committee, etc. and the second and third lines.

(6) Revision of internal company policies such as proposal submission standards and circular approval policy* Revise internal company policies such as proposal submission standards for the Board of Directors and

Executive Committee as well as policies on separation of duties and circular approval. This is to ensure that suitable decisions can be made based on the advance consideration and review of compliance and other risks when evaluating business models and management strategies.

- (7) Strengthen the management framework for matters submitted to the Executive Committee
Strengthen the management framework governing discussions by the Executive Committee on important matters such as changes in the policy regarding the claims payment and management system.
- (8) Codify a meeting body for related officers
Establish a new official meeting body, the Related Officers' Committee as a sub-organization to the Executive Committee, to facilitate agile and sound decision-making.
- (9) Learning from Sompo Japan's prior case examples and those of other companies*
Sompo Japan will invite outside instructors and set up opportunities for management team members to learn from its prior case examples and those of peer companies in the same or different industries.
- (10) Bring onboard perspectives from outside the company (including international perspectives)*
In the future, Sompo Japan will utilize the Group Executive Committee, which is an advisory body to the Sompo Group CEO, and related bodies to bring onboard perspectives from the Group's overseas businesses.

2. Establish a system to thoroughly ensure compliance and customer protections

- (1) Dramatically revise the "three lines of defense" management system
 - ① Strengthen activities in the second line through such means as separating the roles of the first and second lines*
 1. Clearly separate the roles of the first line (sales departments and branches, Sales Support Department, Claims Service Department, Claims Service Support Department, etc.) and the second line (Compliance Department, Risk Management Department, etc.)
 2. Strengthen the risk management system and internal control in the second line (Compliance Department and Risk Management Department)
 - a. Clearly define the expectations and roles required in the second line and strengthen human resources
 - b. Increase the sophistication of the compliance program
 - c. Strengthen the compliance division
Reorganize the Legal and Compliance Department into the Legal Department and Compliance Department from FY2024 and revise the authority and role of the compliance division, thereby enhancing its specialization and functions.
 - d. Strengthen monitoring and checks by the Compliance Department
 - e. Make the internal whistleblowing system SJ Hotline widely known and verify its effectiveness
 - f. Strengthen the risk management system (risk assessments)
 - ② Measures to address the third line
 - a. Strengthen internal controls in the third line (Internal Audit Department)
 - b. Carry out digital transformation of audits
 - c. Verify the effectiveness of measures from a customer protection perspective
 - d. Verify business processes by conducting theme-focused site audits with recurrence prevention measures and improvement plans as verification themes
 - e. Conduct monitoring of suspected cases of fraudulent insurance claims

③ Communication between the first line and the second and third lines*

- a. Revise policy on separation of duties (clearly define the separation of roles among the first, second and third lines, etc.)
- b. Strengthen collaboration between compliance staff belonging to the first line (sales departments and branches and the Claims Service Department) and the second line

(2) Measures to ensure timely identification of negative information, and appropriate reporting of such information to the management team, including the President and CEO, among others

a. Revision to claims payment and management regulations

When implementing policies and measures that will affect the claims payment and management system, regulations will require that such policies and measures be submitted to the Executive Committee after conducting adequate risk analysis and assessment.

b. Revision of claims service manuals, etc.

Sompo Japan will formulate Guidelines on Responding to Suspected Fraudulent Claims for Repair Expenses at Repair Shops, and will work to integrate information and continuously monitor how the guidelines are being established. Fraudulent claims cases will also be reported to the Internal Management Committee and other bodies. Risk analysis and response conditions will also be evaluated on a regular basis.

(3) Measures to ensure appropriate reporting to the authorities

- Formulate voluntary reporting rules pertaining to cases of misconduct to the authorities

3. Foster a healthy organizational culture prioritizing not sales but compliance and customer protections (including corrective measures for a company culture that prioritizes the company's interests over the interests of its customers)

(1) Revise the establishment of the sales promotion system and sales targets*

(2) Revise personnel evaluations and their implementation*

(3) Foster compliance awareness at the management level*

(4) Revise the Code of Conduct and other rules*

(5) Foster a culture that prioritizes customer protection and compliance, and measures to instill such a culture in officers and employees*

- The President and CEO, as well as other management leaders, will announce their commitment to compliance, i.e. adherence to laws and regulations, and will communicate it repeatedly and directly to employees through town hall meetings led by the management team and other means.
- News coverage, customer comments, and the content of the business improvement orders will be disclosed and archived within the company, with an opportunity for annual review provided to ensure that the problem is not forgotten.

(6) Establish the new post of Chief Culture Officer (CCuO) and the Culture Change Department*

Establish the new post of Chief Culture Officer (CCuO), along with the Culture Change Department, a specialized department that will serve as the CCuO's execution team, with the goal of always keeping the customer's perspective in mind and transforming to an open, transparent and flat corporate culture. This will be accomplished by breaking free from a lack of customer perspective, value standards that prioritize immediate short-term profit,

and a top-down corporate culture by implementing changes in various evaluation systems, promoting sustainable management, instilling SOMPO's Purpose, conducting inner branding, and improving engagement.

(7) Establish the new post of Chief Quality Officer and the Quality Control Department*

Establish the new post of Chief Quality Officer (CQO) and the Quality Control Department, a specialized department that will serve as the CQO's execution team, with the goal of improving customer evaluations. This will be accomplished by establishing a system to improve operations from the customer's perspective through quality control, as part of efforts to reduce conduct risk in the supply of products and services, as well as to maintain and improve the quality that customers expect as a matter of course, through monitoring and checks from the customer's perspective

4. Establish an appropriate claims payment and management system

(1) Establish a system for preventing fraudulent claims

- ① Measures to implement appropriate loss investigations and to provide repair shop referral and related services from a customer-oriented perspective
 - a. Abolish simple investigations
 - b. Get technical adjusters involved in loss investigation work
 - c. Increase the number of technical adjusters and shift them to loss investigation work
 - d. Establish clear agreed-upon rules for repair expenses with repair shops
 - e. The Claims Service Department and Claims Service Support Department will perform follow-up verification of loss investigations.
 - f. Consider ways to improve productivity using digital technologies
 - g. Formulate policies for referring repair shops in response to any requests for such referrals from customers
- ② Establish a system for centrally managing information on warning signs of fraudulent claims and taking the necessary response measures
 1. Rapidly share and centrally manage information, along with identifying warning signs of fraud
Formulate reporting rules for any suspected cases of fraudulent claims that involve repair shops
 2. Establish a system for preventing and pursuing fraudulent claims
 - a. Establish a department specialized in fraudulent claims to investigate and pursue suspected cases of fraudulent claims by repair shops
 - b. Provide training, seminars and other opportunities led by the Claims Service Support Department to technical adjusters and other personnel
 3. Collect information on warning signs from dispatched personnel

(2) Establish a fair and precise screening structure and process (including verification of cases in which there may be inappropriate non-payment of claims because a thorough investigation has not yet been undertaken, and responses to customers based on verification results)

- ① Strengthen the structure of the claims service division
 - a. Increase the number of personnel in the claims service division
 - b. Recruit personnel for the claims service division
 - c. Establish a new organization specialized in human resource development within the Claims Service Support Department
- ② Establish rules for the claims service division, including ensuring the appropriateness of claims payments to large agencies and policyholders, and strengthen monitoring
 - a. Define operations quality
 - b. Redouble efforts to strictly enforce payment approval rules and strengthen monitoring

- c. Revise claims payment and management regulations and manuals
- d. Ensure the independence of the claims service division (remove inappropriate intervention from the sales division)
- ③ Establish a follow-up verification system for claims payment and other cases
 - a. Add inspection items to follow-up verification, such as payment based on fraudulent claims and inappropriate payments
 - b. Implement measures to improve the effectiveness and appropriateness of the follow-up verification system

5. Establish an effective agency management (insurance sales management) system

- (1) Measures to ensure appropriate insurance sales based on the characteristics of agencies
 - ① Strengthen measures to address cases requiring quality improvement (acts such as inappropriate insurance sales that do not meet minimum quality standards)
 - a. Conduct data analysis and monitoring of cases requiring quality improvement
 - b. Report cases requiring quality improvement to the Internal Management Committee
 - ② Strengthen measures to address the complaint management system
 - a. Conduct a deeper complaint analysis in the Customer Communication Department
 - b. Strengthen measures to address individual agencies in the Compliance Department
 - ③ Appropriate measures for large agencies that have insurance sales issues
 - a. Provide firm guidance to establish a customer protection system
 - b. Strengthening monitoring by the compliance division
 - ④ Investigate inappropriate sales through questionnaires for policyholders
 - a. Revise the content of customer questionnaires and other items
 - b. Conduct monitoring of the appropriate management of customer questionnaires
 - ⑤ Monitoring of inappropriate sales (early cancellation of policies, etc.)
 - a. Establish a supervision and guidance system for agencies
 - b. Provide recommendations for improvement and other directives for agencies based on monitoring results
 - ⑥ Carry out measures such as identification of warning signs through data analysis targeting agencies with high loss ratios and others
 - a. Conduct multi-faceted data analysis such as loss ratio by type of collateral and number of complaints
 - b. Establish a system to strengthen monitoring of targeted agencies
- (2) Increase the point-reflection weighting for quality in agency fee points
- (3) Measures to address cases of misconduct by agencies
 - ① Strengthen measures by the Compliance Department to address cases of misconduct by agencies
 - ② Monitoring of cases of misconduct by agencies
- (4) Conduct appropriate dispatching of personnel to agencies
 - ① Formulate rules for selecting which agencies personnel should be dispatched to
 - ② Formulate rules on managing dispatched personnel

6. Clarify where management responsibility lies

Management responsibility will be clarified as announced in the news release issued on February 29, 2024.

Notes:

1. Certain recurrence prevention measures have already been implemented. Measures that have not yet been implemented as of this time are scheduled to be successively implemented beginning in April 2024.
2. Measures disclosed in the business improvement plan related to insurance premium adjustments and other practices submitted on February 29, 2024 are marked with an asterisk (*).
3. Departments and branches that will be reorganized in April 2024 are referred to by their names after the reorganization.