



# GOVERNANCE

## Systems underpinning value creation

The Sampo Group has hitherto proactively worked on reforming corporate governance with the aim of building systems that facilitate swift decision making and dynamic business execution. Examples of such initiatives include the introduction of a Business Owner system and a Group Chief Officer (CxO) system, as well as becoming a Company with Committees. And with the use of ERM as our so-called “compass of management,” we appropriately manage increasingly diverse and complex risks in this age of VUCA characterized by instability and uncertainty. In this section we discuss the systems and characteristics of these group management foundations that underpin the Sampo Group’s sustained value creation.

# Corporate Governance Overview

Sompo Holdings changed the governance structure to “Company with committees, such as Nomination Committee” at the General Meeting of Shareholders held in June 2019. With this transition, the Company clarifies separation between the roles and positioning of supervision and execution to further strengthen both functions, as well as forming the Board of Directors with a majority of outside directors to reinforce the governance system for supervision.

The Company utilized the business owner system, the Group Chief Officer system, and the executive officer system, under the general oversight of the Group CEO and Group

COO, for its business operation system to enable agile and flexible decision-making and business execution as well as ensuring the clarity of authority and responsibility.

<b>Organizational structure</b>	Company with committees, such as Nomination Committee
<b>Number of Directors</b>	12, of which 9 are Outside Directors <ul style="list-style-type: none"> <li>Percentage of non-executive directors: 83% (10 out of 12)</li> <li>Percentage of outside director: 75% (9 out of 12)</li> </ul>

## Member of the Board, Nomination Committee, Audit Committee and Compensation Committee

Name	Title	Board of Directors	Nomination Committee	Audit Committee	Compensation Committee
Kengo Sakurada	Group CEO Director President and Representative Executive Officer	○ (Chairman)	—	—	—
Shinji Tsuji	Group COO Director Deputy President and Representative Executive Officer	○	—	—	—
Toshihiro Teshima	Director	○	—	○	—
Scott Trevor Davis	Director*	○	○ (Committee Chair)	—	○
Kazuhiro Higashi	Director*	○	○	—	○ (Committee Chair)
Takashi Nawa	Director*	○	○	—	○
Misuzu Shibata	Director*	○	○	—	○
Meyumi Yamada	Director*	○	○	—	○
Naoki Yanagida	Director*	○	—	○ (Committee Chair)	—
Hideyo Uchiyama	Director*	○	—	○	—
Isao Endo	Director*	○	—	○	—
Kumi Ito	Director*	○	—	○	—

\*Outside Director as set forth in Article 2 (XV) of the Companies Act.

## Executive Officers and Senior Vice Presidents

Executive officers shall make decision and perform duties with respect to the matters delegated from the Board of Directors. Senior Vice Presidents execute business following a partial delegation of business execution authority from Executive Officers.

## Appointment of Directors, Executive Officers and Senior Vice Presidents

Directors shall be appointed at the General Shareholders Meeting based on the selection by the Nomination Committee. Executive officers and Senior Vice Presidents shall be appointed at the General Shareholders Meeting based on the selection by the Nomination Committee. Additionally, the company formulated the “Policies for Appointment of Directors and Executive Officers” and disclosed it to public.

- The “Policies for Appointment of Directors and Executive Officers” is stipulated in chapter 5 of the Corporate Governance Policy.

## Number of Independent Directors

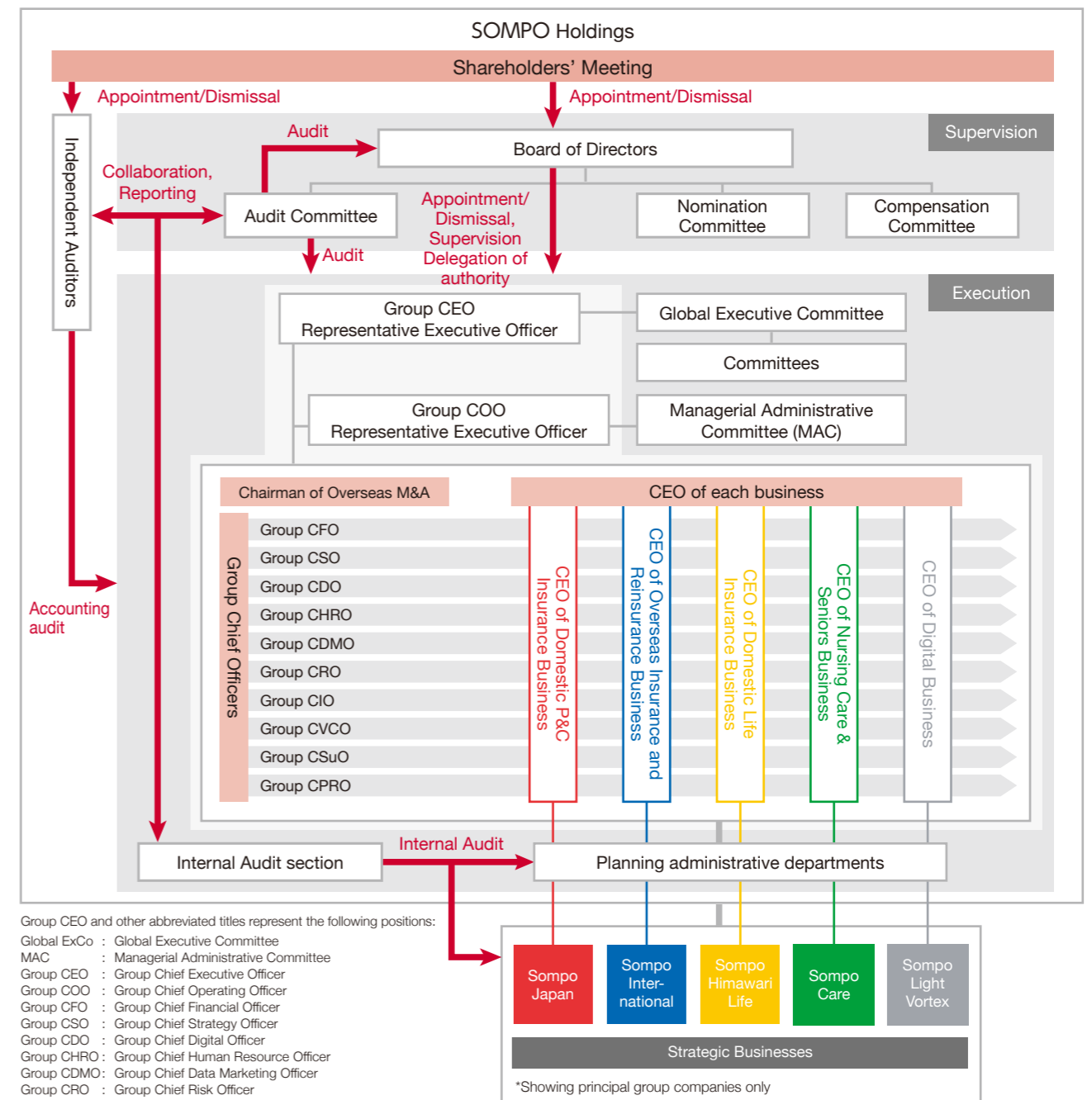
- 9 Outside Directors
- All Outside Directors are independent as defined by the Financial Instruments and Exchange Act.
  - Standards regarding Independence of Outside Directors is disclosed in the Corporate Governance Report.

## Decisions regarding compensation, etc.

The Company formulated the “Policies on Decisions regarding Compensation for Directors and Executive Officers” according to the decision by the Compensation Committee and disclosed it to public.

- The “Policies on Decisions regarding Compensation for Directors and Executive Officers” is stipulated in chapter 7 of the Corporate Governance Policy.

## Management Structure of Corporate Governance (As of August 1, 2021)



Group CEO and other abbreviated titles represent the following positions:

- Global ExCo : Global Executive Committee
- MAC : Managerial Administrative Committee
- Group CEO : Group Chief Executive Officer
- Group COO : Group Chief Operating Officer
- Group CFO : Group Chief Financial Officer
- Group CSO : Group Chief Strategy Officer
- Group CDO : Group Chief Digital Officer
- Group CHRO : Group Chief Human Resource Officer
- Group CDMO : Group Chief Data Marketing Officer
- Group CRO : Group Chief Risk Officer
- Group CIO : Group Chief Information Officer
- Group CVCO : Group Chief Value Communication Officer
- Group CSuO : Group Chief Sustainability Officer
- Group CPRO : Group Chief Public Relations Officer

## FY2020: Record of meetings of the Board of Directors, Nomination Committee, Audit Committee and Compensation Committee

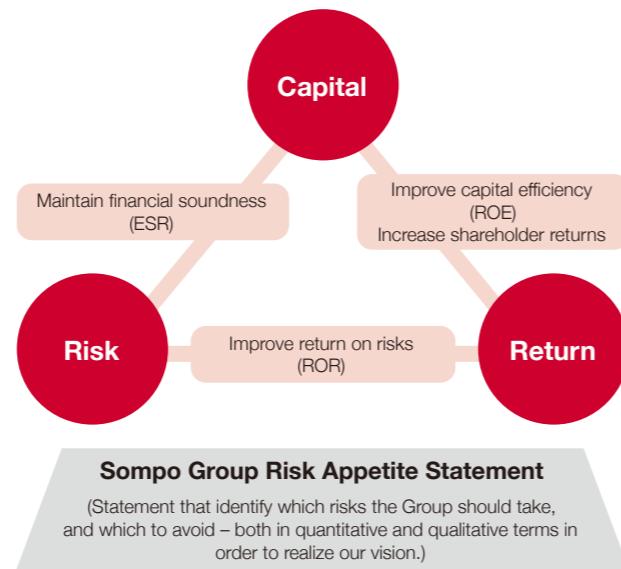
From April 2020 to March 2021

Board of Directors meetings	Held 10 times	Attendance: 99.1%
Nomination Committee	Held 11 times	Attendance: 98.1%
Audit Committee	Held 12 times	Attendance: 98.3%
Compensation Committee	Held 11 times	Attendance: 98.1%

# Enterprise Risk Management (ERM)

Our ERM framework is a management approach that aims to maximize corporate value by maintaining strong financial soundness while balancing capital, risk, and return. It has the goal of increasing profits and achieving steady improvements in capital efficiency to deliver target ROE of 10% or more. Under the new Mid-Term Management Plan, we have established the “Sompo Group Risk Appetite Statement,” which consists of the Risk Appetite Principles, the Medium-term Risk-taking Strategy and the Risk Appetite Indicator. Based on the medium-term risk-taking direction encapsulated in this statement, we will improve capital efficiency in existing businesses through measures such as: reduction in the strategic holdings of stocks that have low capital efficiency; and strengthening of ALM to continuously reduce interest rate risk.

In addition, we will further improve the Group’s capital efficiency by directing surplus generated capital towards growth areas, with a focus on seeking overseas M&As opportunities that can enhance the value, scale and diversification of the Group’s business. Through these initiatives, we aim to achieve our medium-term targets – adjusted consolidated profit of JPY



300 billion or higher and adjusted consolidated ROE of at least 10% – by fiscal year 2023, the final year of the new Mid-Term Management Plan.

## The evolution of ERM to enable realization of A Theme Park for Security, Health & Wellbeing

In the “new normal” society, we are surrounded by increasingly uncertain risks – the upward trend in frequency of large-scale natural disasters caused by climate change, and the growing threat of cyber attacks, to name just two. In this era of VUCA, ERM’s role no longer simply entails taking measures to avoid loss. Increasingly, ERM is expected to “navigate” an optimal course for the Group by reducing the opportunity loss that it could incur as a result of mistimed new investments or other miscalculations.

In this sense, ERM acts as the Compass of Management in the voyage across the rough, unpredictable ocean of VUCA, helping us to realize SOMPO’s Purpose by providing these three key functions: (1) Correct understanding of the Group’s current position; (2) Sensitive detection of potential risks; and (3) Clear indication of the route the Group should take.

The Sompo Group aims to improve resilience, primarily in our insurance business, by accelerating initiatives toward “Scale and Diversification.” We will also contribute to addressing social challenges and strive for long-term profit growth by

creating new customer value. Through these initiatives, the Group is working towards the realization of A Theme Park for Security, Health & Wellbeing. We are striving to develop an ERM framework that supports these efforts: rather than just extending our existing insurance-based paradigm, we are evolving the framework so that it is fully adapted to our new business models.

To effect this ERM evolution, we aim to establish quantitative and qualitative risk management frameworks for the non-insurance businesses of digital and healthcare, based on the expertise accumulated in the insurance and nursing businesses. We also aim to contribute to business development, leveraging our analysis of the shifting risk landscape in the “new normal” world – climate change, rapid digitalization, for example – to identify new business opportunities and services to reduce threats that our customers face; these might include disaster prevention, mitigation, response and recovery services, for example.

## ERM Framework

Functioning as a management framework that aims to maximize corporate value while balancing capital, risk, and return, the Group ERM system has two aspects: “execution strategy for risk-taking” and “risk control to provide a stable business foundation.”

### 1. Risk Appetite Framework

To execute effective strategic risk-taking, we use analysis of capital, risk, and return, based around the risk appetite framework, for important management decisions.

The risk appetite framework is a system for increasing the certainty of achieving goals, by identifying which risks to take and which to avoid, in progressing towards realization of the vision set out in SOMPO’s Purpose, the management philosophy, and the Group management plans.

Each business formulates management plans in alignment with the Sompo Group Risk Appetite Statement, which indicates the direction of risk-taking by the Sompo Group. SOMPO Holdings reviews these plans and monitors progress towards achievement.

### 2. Risk Control System

For effective risk control, the Sompo Group aims to minimize unexpected losses and stabilize profits using frameworks that identify, analyze, and evaluate the diverse risks that the Group faces.

#### (1) Material Risk Management

The Group defines risks that could have significant impact on the business as material risks; these are identified and assessed through an exhaustive process. Such risks are comprehensively managed by the Group CRO based on this risk assessment and expert insight, considering concrete risk scenarios that could impact the Group. Risks are evaluated in both qualitative and quantitative terms, assessing the frequency of occurrence, and the severity of impact across three risk dimensions – economic loss, business continuity, and reputational damage.

Additionally, the Group defines emerging risks as those that

are not currently material but which, due to environmental changes, have potential to become material in future. We identify these risks through a variety of information sources and through dialogue with domestic and foreign experts, and then we establish appropriate monitoring and management protocols. For emerging risks with significant expected impact, we consider them not only from the viewpoint of mitigating losses, but also from the viewpoint of seeking new business opportunities through creation of insurance products and services to address these risks. For these reasons, we monitor, research, and study emerging risks on a Groupwide basis.

#### (2) Capital Adequacy Management

We quantify the various types of risks that we face using value at risk (VaR) as a unified risk metric. We take management measures as necessary to ensure that capital is maintained at an adequate level relative to risks.

#### (3) Stress Testing

To accurately identify and manage the events that may have a significant effect on the management of the Sompo Group, we calculate the level of impact that will eventuate if a particular stress scenario occurs. The scenarios considered include, for example, large-scale natural catastrophes, and financial market turmoil. We analyze the impact on capital and risk, and implement measures to address each event as necessary.

#### (4) Risk Limit Management

To avoid incurring outsize losses from the occurrence of specific events, the Group sets and manages maximum limits, on a Group-wide basis, for risks such as credit risk, reinsurance risk, and overseas natural catastrophe risk.

#### (5) Liquidity Risk Management

In addition to projecting cash requirements for day-to-day operations, we project the maximum cash outflows that could result from events such as a large-scale natural catastrophe. We then conduct management to ensure we have sufficient liquid assets to meet cash requirements in these scenarios.