

# Governance

The Group has continued to transform (qualitative evolution) toward “A Theme Park for Security, Health & Wellbeing” to remain indispensable even in 100 years’ time. And it is SOMPO’s governance that supports this transformation.

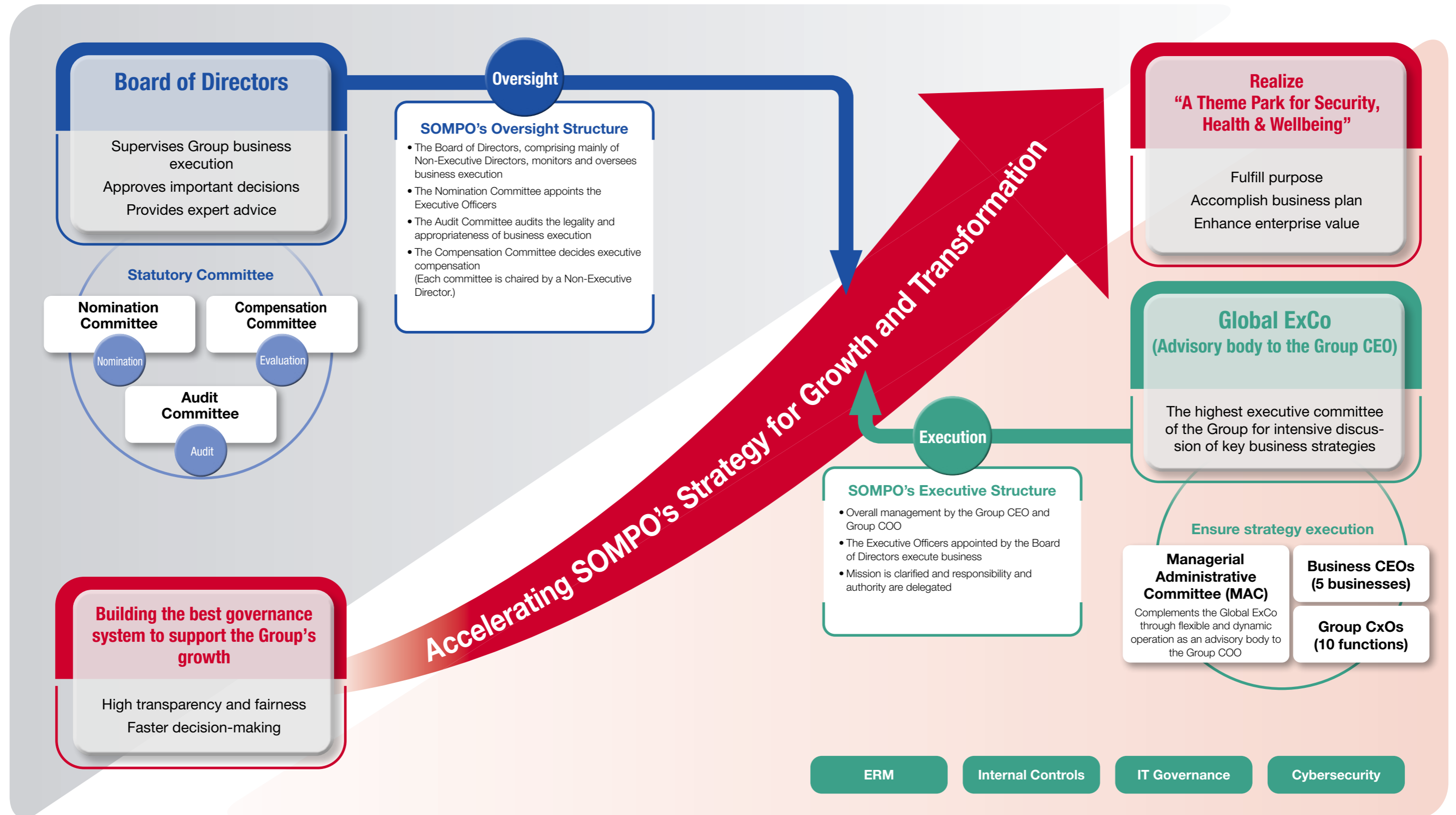
As a company with committees, we established a system where the executive team is given great authority under the oversight of the Directors, comprising mainly of Non-Executive Directors, and elected by the shareholders. Among the statutory committees that are important for the Board of Directors to provide oversight, the Nomination Committee and Compensation Committee are comprised only of non-executive members, creating a healthy tension between the executive team and ensuring high transparency and fairness.

The Executive Officers and Executive Vice Presidents appointed by the Board of Directors make fast decisions by working together while honing their expertise under the Business Owner System and Group CxO System, and dynamically implement Group strategies with a sense of oneness.

The Global ExCo is the highest executive committee of the Group and members with diverse background, including the Business CEOs who manage individual business and Group CxOs who have deep expertise in their respective functional area have frank discussion across regions and time frame as well as make decisions for Group Best to realize “A Theme Park for Security, Health & Wellbeing.”



# Overview of the Corporate Governance Structure



Succession Plan (Nomination Committee)

Executive Compensation Structure (Compensation Committee)

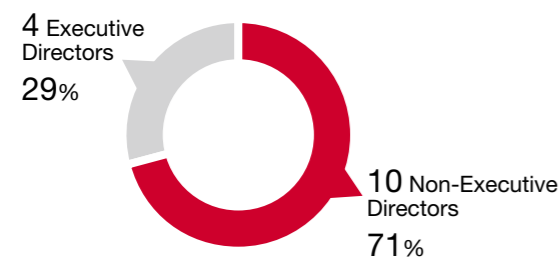
# Oversight Structure

Sompo Holdings is a company with committees and has strengthened oversight by the Board of Directors by separating management oversight and business execution, and expedited business execution by delegating substantial authority to executives. In addition, three statutory committees (Nomination Committee, Audit Committee, and Compensation Committee) were established for a governance structure that provides greater transparency and fairness.

## Board Composition

10 of the 14 members of the Board of Directors—or 71%—are Non-Executive Directors

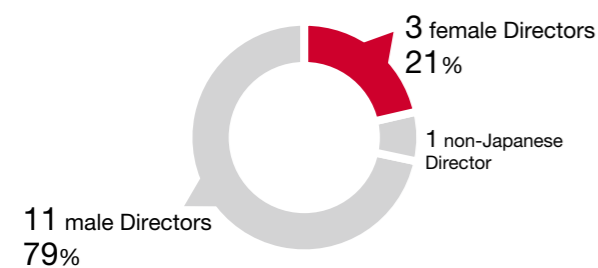
\*The number and ratio of Non-Executive Directors increased since founding in April 2010 when 6 of the 12 Directors (50%) were Non-Executive Directors.



## Director Diversity

Of the 14 members of the Board of Directors, 3 are female and 11 are male; 1 of the male Directors is non-Japanese

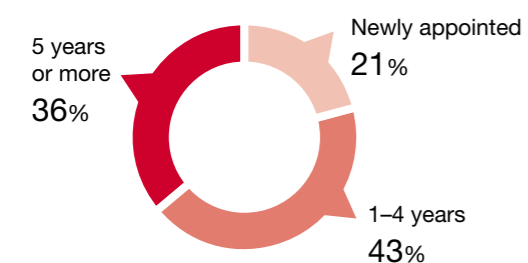
\*At the time of founding, there was no female Director (the number and ratio has increased), and 1 non-Japanese Director (the number and ratio has remained the same)



## Director tenure

The average tenure of the Directors is 3.8 years (including the tenure as the Audit & Supervisory Board member)

\*When the tenure of the Non-Executive Director exceeds 8 years, the existence of a strong reason for reappointment is carefully assessed and reappointment is not prevented if such reason exists.



## Directors Appointed at the General Meeting of Shareholders, as of July 1, 2022

Executive Directors	Non-Executive Directors		
 Kengo Sakurada Also serves as Executive Officer	 Scott Trevor Davis Chair of the Nomination Committee	 Kazuhiro Higashi Chair of the Compensation Committee	 Masayuki Waga
 Mikio Okumura Also serves as Executive Officer	 Takashi Nawa	 Meyumi Yamada	
 Toshihiro Teshima	 Naoki Yanagida Chair of the Audit Committee	 Isao Endo	 Kumi Ito
 Satoshi Kasai	 Hideyo Uchiyama	 Misuzu Shibata	

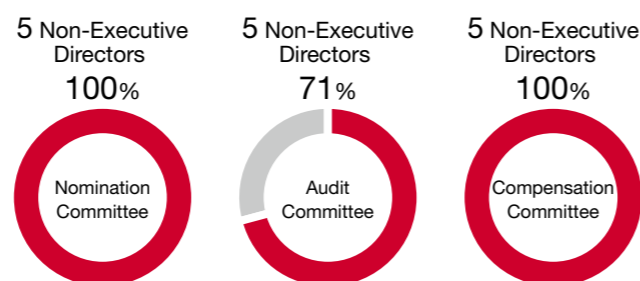
**Nomination Committee**  
 Composed solely of Non-Executive Directors

**Audit Committee**  
 Composed mainly of Non-Executive Directors

**Compensation Committee**  
 Composed solely of Non-Executive Directors

## Committee Composition

The composition of the three legally-mandated committees is as follows: the Nomination Committee and Compensation Committee are comprised of Non-Executive Directors only; the Audit Committee is comprised mainly of Non-Executive Directors



# Executive Structure

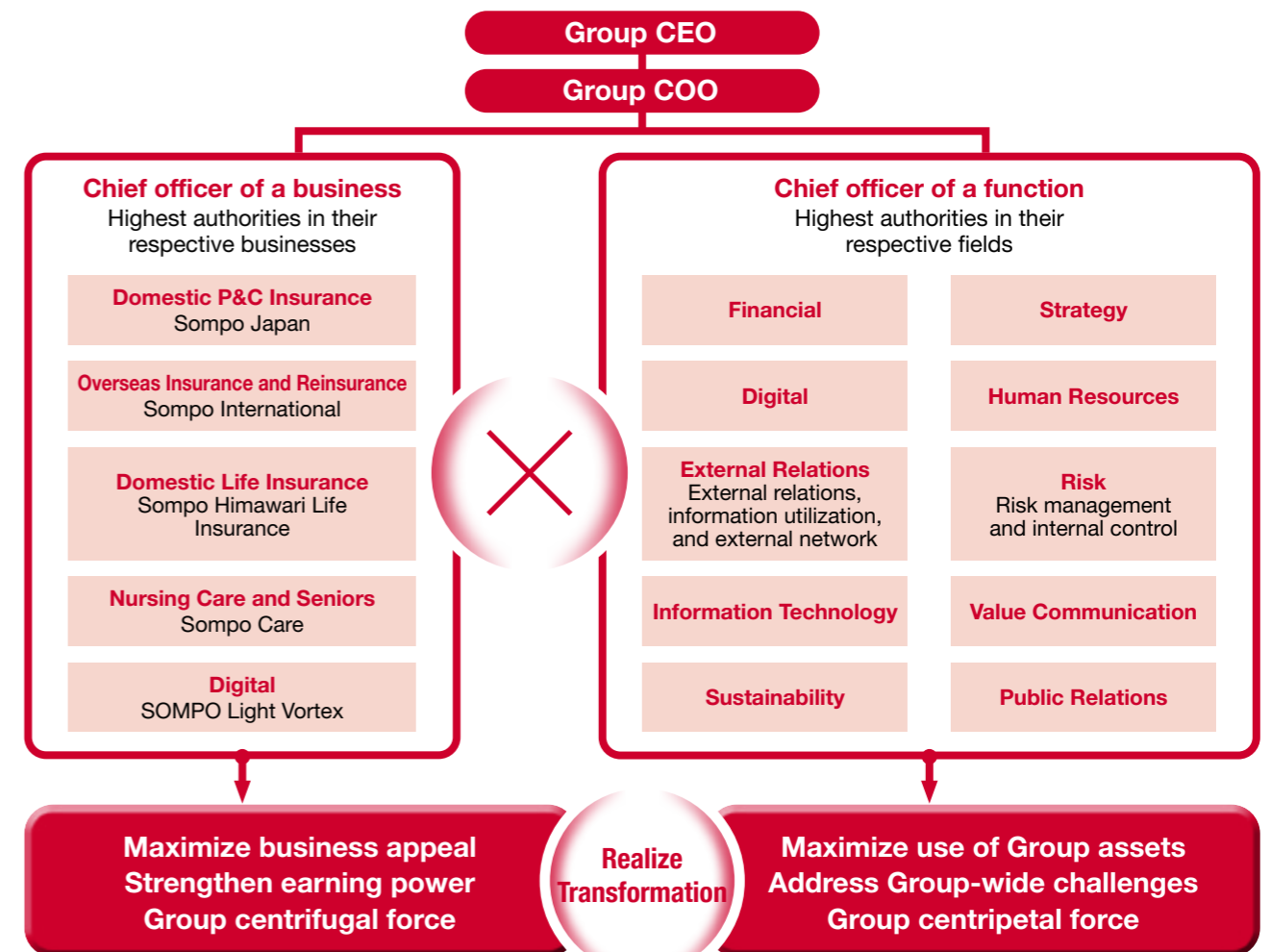
Sompo Holdings established an executive structure that combines the Business Owner System and Group CxO System to continue transforming with agility and flexibility even in the VUCA age.

## Business Owner System

The Business CEO drives the Group's growth and expansion by formulating business policies, accomplishing business plans, and improving the quality of business operations as the chief executive of a business.

## Group CxO System

The Group CxO who has deep expertise in a functional area exerts necessary influence across business over practicing Group management philosophy, fulfilling purpose, enhancing enterprise value, creating a conglomerate premium, etc. to maintain a sense of oneness and soundness throughout the Group.



## Directors and Executive Officers with a Diverse Array of Backgrounds

The Company places great importance on the diversity of its Director and Executive Officer portfolio when formulating the Succession Plan and when appointing Directors and Executive Officers. For this reason, we appoint Directors and Executive Officers with diverse expertise and backgrounds, and so create a system that facilitates high-quality decision-making for the transformation of our Group.

8 Directors and Executive Officers have previously worked for companies outside the Sompo Group



\*\*Directors and Executive Officers\* refers to the Group CEO, the Group COO, Business CEOs, and Group CxOs; there are 16 Directors and Executive Officers at the Sompo Group.

# Enterprise Risk Management (ERM)

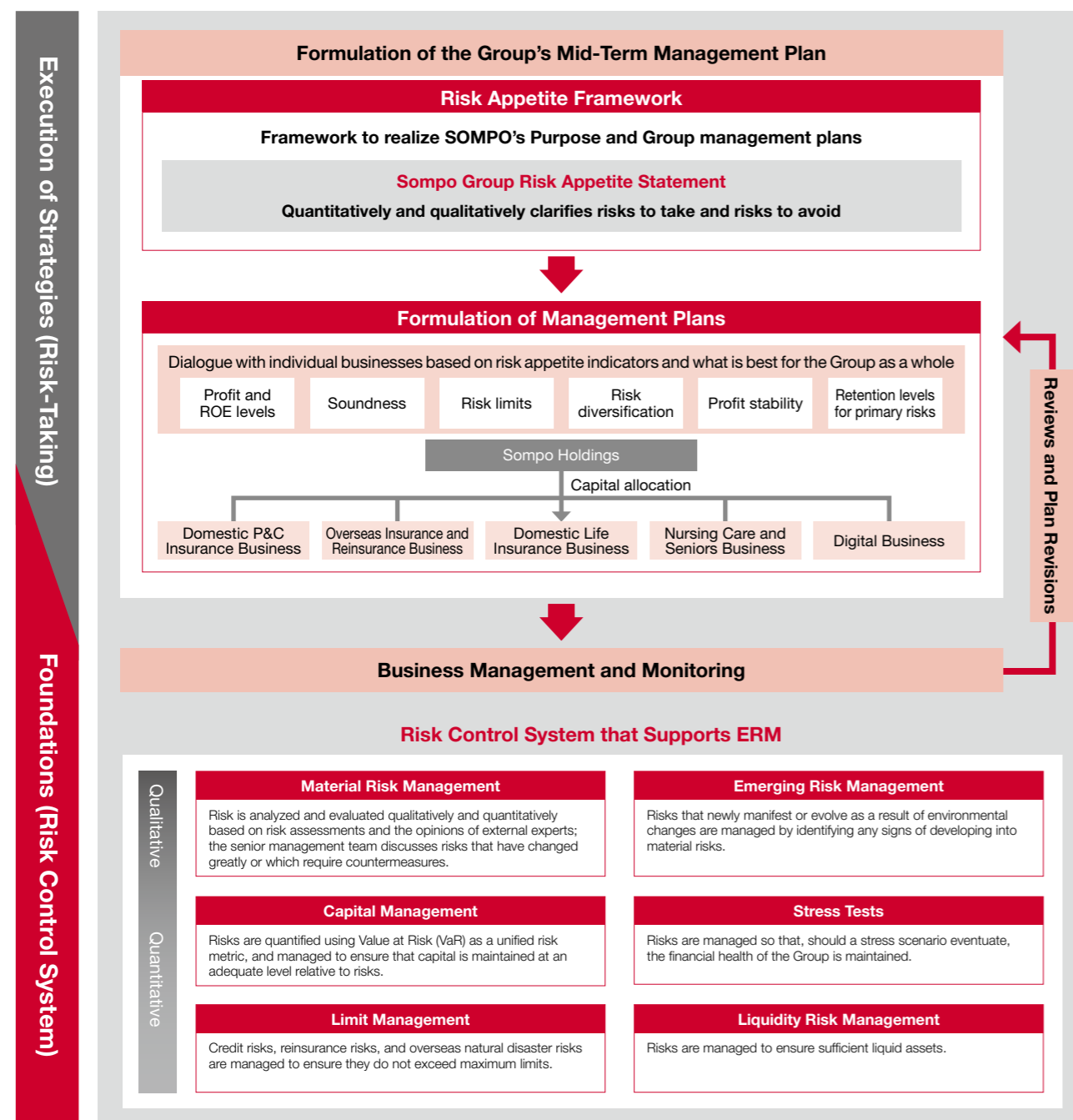
## ERM as the “Compass of Management”

We live in a world of increasing uncertainty and risk. Climate change is driving more frequent occurrence of large-scale natural disasters, the threat of cyber-attacks is growing, and the global geopolitical environment is increasingly chaotic. This challenges our ability to chart the optimal course we should take as a Group.

The role of ERM is to navigate the Group through these unpredictable seas, acting as the compass to show the

optimal direction. As such, ERM provides three functions: (1) accurately analyzing and grasping the Group’s current position; (2) detecting and sensitively responding to possible future risks in advance; and (3) clearly indicating the best course of action for the Group to take. ERM’s mission is to fulfill these functions as a “compass of management” and to lead the Group to realize its management philosophy and SOMPO’s Purpose.

### Overview of the Somo Group’s Enterprise Risk Management



## Strengthening and Evolving ERM to Realize SOMPO’s Purpose

Sompo Group is working to improve its resilience in two ways: firstly, by accelerating “Scale and Diversification” initiatives, primarily in its insurance business; secondly, through “New Customer Value Creation” initiatives, to improve long-term profit growth while contributing to solving social issues.

We are developing an ERM framework that supports these initiatives – rather than just extending and enhancing our existing insurance business-based paradigm, we are evolving the framework so that it is fully adapted to our new business

models. For example, we are taking on the challenge of evolving ERM by establishing both quantitative and qualitative risk management frameworks for the non-insurance businesses, such as digital business, based on the expertise accumulated in the insurance and nursing businesses. Through our analysis and verification of risks in the “new normal” world, such as climate change and increasingly sophisticated cyber-attacks, we are also contributing to the identification and pursuit of business-side opportunities and threat reduction initiatives.

## ERM of the Somo Group

The Group ERM framework aims to maximize corporate value while balancing capital, risk, and return. To effect this, it has two main components: the “Risk Appetite Framework,” which supports conscious risk-taking in pursuit of strategic objectives, and the “Risk Control System,” which contributes to stabilizing the foundations of our business.

### 1. Risk Appetite Framework

The “Risk Appetite Framework” is a system for increasing the certainty of achieving the Group’s strategic goals – as set forth in the Management Philosophy, SOMPO’s Purpose, and the Group’s Management Plan – by taking risks based on the Somo Group Risk Appetite Statement. This clearly states the risks the Group will take and the risks it will avoid. We formulate a Group’s Management Plan and allocate capital to each business, after dialogue with the respective management teams, based on risk appetite indicators and the perspective of overall Group optimization.

For further details, please visit the corporate website: <https://www.sompo-hd.com/en/company/risk/>

### 2. Risk Control System

For effective risk control, Sompo Group uses a “Risk Control System” that identifies, analyzes, and evaluates the various risks surrounding the Group.

The Group defines risks that could have a significant impact on its business as “material risks”; we comprehensively identify and evaluate these risks based on risk assessments and expert opinions and insights. We evaluate the frequency of occurrence and the severity of impact across three risk dimensions (economic loss, business continuity, and reputational damage) in both qualitative and quantitative terms. We also confirm the status of countermeasures.

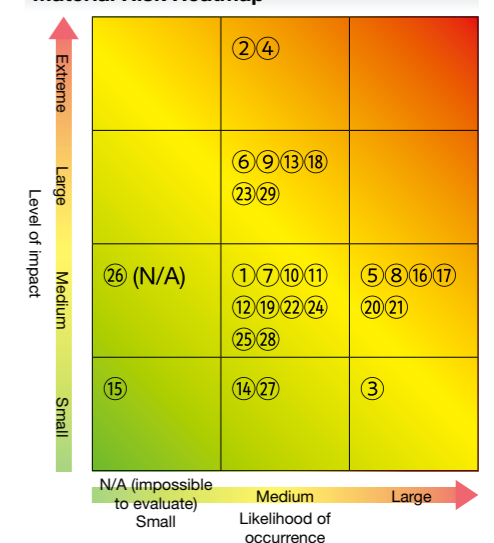
Additionally, the Group defines “emerging risks” as risks that have the potential to emerge or change, through changes in the environment or other factors, such that they would have a significant impact on the Group in the future. We manage emerging risks appropriately by monitoring any signs that they may develop into material risks.

Through Capital Adequacy Management, Stress Testing, Risk Limit Management, and Liquidity Risk Management, we strive to minimize unexpected losses and stabilize profits. <https://www.sompo-hd.com/en/ir/financial/risk/>

### List of Material Risks

Type	No.	Material Risk	Type	No.	Material Risk
Management Strategy Risks	①	Deterioration of and changes in competitive environments	Operational Risks and Compliance Risks	⑮	Failures of third-party management
	②	Deterioration of economic environments		⑰	System failures
	③	Geopolitical events		⑱	Cyber security
	④	Pandemics		⑲	Labor
	⑤	Regulatory changes		⑳	Leakages of customer information (excluding cyberattacks)
	⑥	Weak governance		㉑	Misconduct and leakages of confidential information
	⑦	Mistaken evaluation of new business risks		㉒	Conduct
	⑧	Delays to large-scale system development projects		㉓	Major earthquakes in Japan
	⑨	Climate change (physical risks and transition risks)		㉔	Major storms and floods in Japan
	⑩	Sustainability		㉕	Major natural disasters overseas
	⑪	Reputation		㉖	Cyber integration
	⑫	Inadequate human resources		㉗	Mistaken evaluation of Nursing Care Business environments
	Financial and Investment Risks	⑭		Bankruptcy of loan, investment, and reinsurance destinations	㉘
⑮		Cash requirements in times of large-scale disasters	㉙	Business interruptions	

### Material Risk Heatmap

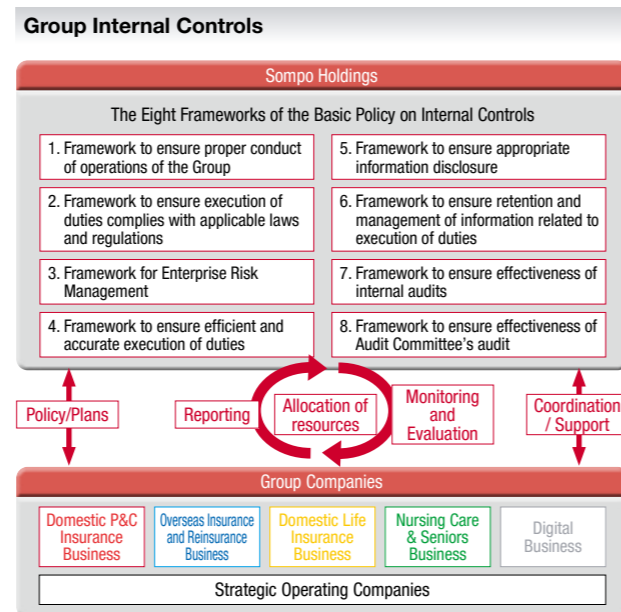


# Group Internal Controls to Support Corporate Governance

## Group Internal Controls to Support Corporate Governance

The Board of Directors has established eight frameworks in the Basic Policy on Internal Controls as a foundation for improving corporate value and for ensuring the proper conduct of operations within the Group. In addition, to ensure that the Group's controls function both effectively and efficiently, the Company enters into management contracts with each Group company, properly understands and checks the situation at each company, and continuously works to enhance and strengthen internal control systems at a Group level.

For further details, please visit the corporate website: <https://www.sompo-hd.com/en/company/governance/policy/>



## Compliance Initiatives

As part of its commitment to compliance, the Company has formulated various policies and codes of conduct, such as the Sompo Group Basic Policy on Compliance, and established compliance systems, and raised awareness of these policies among Group officers and employees. We are a company that seeks to maintain a healthy social presence; to this end, rather than viewing compliance simply as complying with laws and regulations, we have been working to develop a culture that encourages behavior that conforms to corporate ethics and social norms.

We coordinate with Group companies so that they can increase the effectiveness of their compliance initiatives, and we have been working to evolve our compliance frameworks based on Group strategies and external environments. In response to increased social awareness of data protection, for example, we are implementing measures for privacy risks. In order to quickly discover problem events, we have strengthened our whistle-blower system, and we are also working to identify latent conduct risks and improve our understanding of

similar phenomena.

While the Group has insurance business at its core, it has expanded into new business areas such as the Nursing Care & Seniors Business and Digital Business. We have also been working to create new businesses and transform existing businesses through partnerships and the use of new digital technologies and data. When developing compliance frameworks, it is necessary to consider not only the relevant laws, but also the business characteristics, scale, and operating conditions of each Group company, as well as the potential risks they face. As such, we participate in Group company meetings, and vice-versa; we also hold Chief Compliance Officer meetings, attended by the heads of the Compliance Departments in each business. This is a forum to share examples of effective initiatives undertaken by each business, and to exchange opinions on the issues we face. In this way, through our efforts to understand conditions at the Group and share information, we support the development of compliance frameworks at Group companies.

## Developing the Group's Internal Audit Framework

The Company has established the Sompo Group Basic Policy on Internal Audits, which defines internal audits as processes for assessing the internal control framework and providing recommendations on methods for its improvement. Accordingly, we endeavor to enhance corporate value and meet the expectations of stakeholders by developing an efficient and effective Group-wide internal audit framework, and by conducting risk-based internal audits that take into account the characteristics

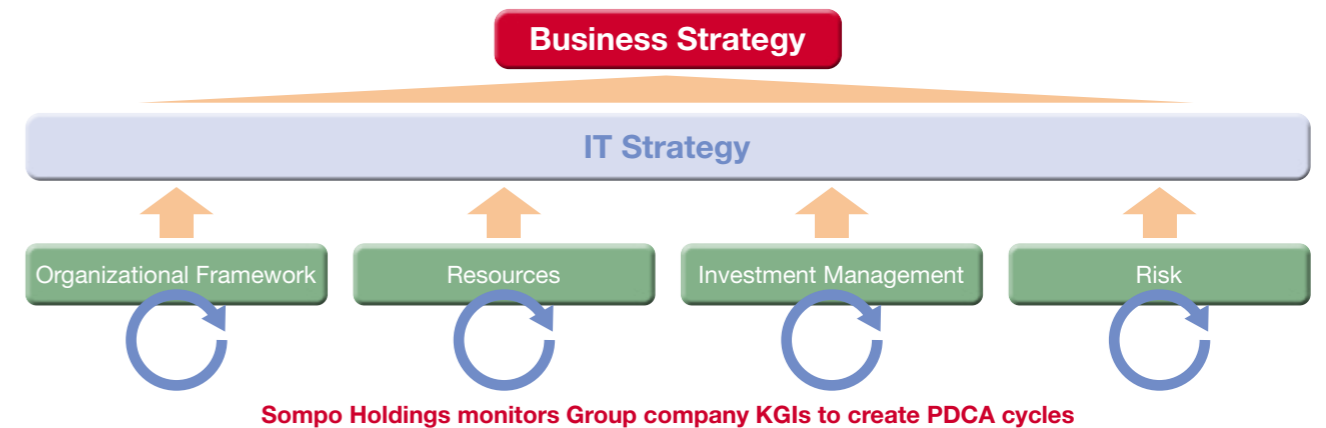
and strategies of our businesses.

Specifically, we have expanded our monitoring functions and adopted a flexible approach to the auditing of changing risks. In conjunction with these efforts, we help Group companies develop their own internal audit frameworks by evaluating the quality of their internal audits and recommending ways to rectify any issues they have identified.

## IT Governance

Each entity's system implementation, operation processes are aligned in accordance with each country and industry regulations. By continuously improving the PDCA cycle via KGI

monitoring and aligning to international standards, we strive to optimize the IT processes to support the Group-wide business and IT strategy.



## Responses to Cyber Risks

The company takes cybersecurity as a social responsibility. In response to cyber risks, we established "SOMPO Group Security Basic Policy" as the cornerstone to continuously improve the efficiency and effectiveness of the cyber risk management. A specialized team of cybersecurity professionals within IT Strategy Planning Department is formed to formulate strategies and strengthen cybersecurity capabilities

across the group. The team has a shared responsibility model with the entity in managing cyber risk and increase group maturity on both day-to-day operation and during emergency. Cybersecurity is prioritized and closely knitted with the business and IT strategy to help the company gain a competitive edge and deliver a safe, secured digital transformation.

