



Group Management Foundation

HR Strategy



Satoshi Kasai

Group CHRO
Managing Executive Officer

The Sampo Holdings Group is growing through Group-wide human resource measures that capitalize on the expertise and experience of its diverse approximately 80,000-strong workforce, which comprises employees with different nationalities, genders, experience, and ages. In an era of volatility, uncertainty, complexity, and ambiguity (VUCA), diversity of human resources is the driving force of business development for the future. Under the slogan “Diversity for Growth,” we aim to become a corporate group in which a diverse array of people can play active roles.

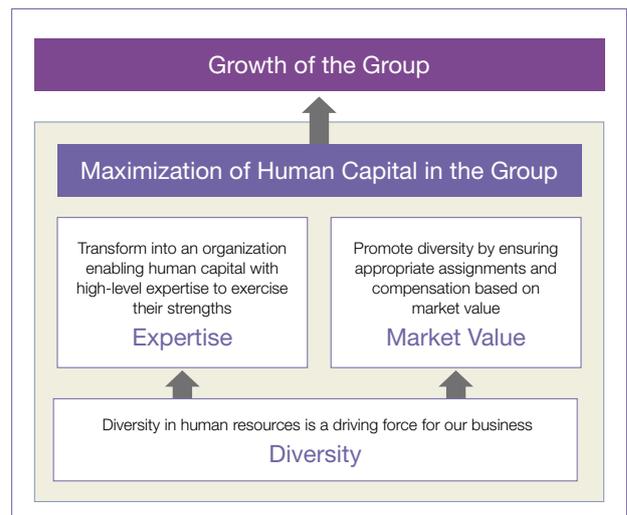
■ Group HR Strategy

In this era of VUCA, it is crucial to generate new ideas without getting caught up in past practices and to make rapid decisions in regard to the challenges we face.

Given such conditions, the most important human resource strategy for the Group is to ensure that its business management benefits from the expertise and experience of a diverse approximately 80,000-strong workforce, which consists of employees with different nationalities, genders, experience, and ages.

The human resource strategy that we have been implementing in earnest since 2015 is laterally unifying human resource management, which we used to conduct on a country or business basis. We will become a corporate group in which—regardless of nationality, gender, experience, or age—talented personnel can contribute in a range of fields on a Group-wide basis.

To benefit from the contributions of diverse personnel, we have built a human resource platform for the Group-wide management of a variety of human resource information and systems. This effort has made all of the key positions in the Group visible, established common evaluation criteria, and made human resource information accessible through a new human resource system. The Group will utilize this platform to find talented personnel who can perform across organizational boundaries within the Group. We will then encourage further growth by extending the scope of their work through appropriate and timely assignments to positions straddling countries or businesses. In this way, we will become a corporate group that empowers talented personnel.



■ Diversity

To become a group where diverse human resources with different nationalities, genders, types of experience, and ages can leverage their strengths, we are proactively promoting diversity in management, personnel exchange among Group

companies, and the empowerment of female employees.

To promote diverse management, we have appointed two female outside directors and one Audit & Supervisory Board member. Moreover, we have assigned executives from outside of the Group, including a non-Japanese executive director who is an expert in law and has extensive experience of M&A in the insurance industry and an executive director who has expertise in the IT and digital fields. Further, in fiscal 2017 we decided to consolidate all overseas businesses under the leadership of John R. Charman, who is the Chairman and CEO of Sompo International Holdings Ltd. (formerly Endurance Specialty Holdings Ltd.), a new member of the Group. These appointments are a testament to the Group's approach of assigning important positions to the best personnel for its businesses regardless of nationality.

We are active not only in relocating personnel among domestic Group companies but also in promoting personnel exchange with overseas Group companies. Previously, we only dispatched employees in one direction—sending Japanese

employees from Japan to overseas Group companies. Now, however, we assign personnel from overseas Group companies to various divisions in Japan through the Group Exchange Program, which we launched in fiscal 2014. Through the end of fiscal 2017, a total of 45 employees from overseas Group companies had worked in various divisions in Japan and contributed to the globalization of our headquarters in the country.

Further, we aim to have female employees account for 30% of management positions by the end of fiscal 2020. To this end, we have, among other initiatives, created a female manager development program, the Business Management School for Women, and also actively promote female employees to management positions. These initiatives have earned favorable recognition from various quarters: the Group has received the Prime Minister's Award to Commend Leading Companies Where Women Shine and been designated as a Nadeshiko Brand. We are stepping up efforts to increase gender diversity. For example, in March 2018 we established an in-house day-care center for children, SOMPO KIDS PARK.

■ Development of Globally Competent Leaders

In order to develop human resources capable of leading our Group's future management on a global basis, we provide training for selected employees in each rank.

We provide a training program for young employees: the Overseas Short-Term Training Program, MBA programs in Japan and overseas, and the in-house SOMPO Global University (SOMPO GU), which operates in partnership with the National University of Singapore Business School. Established in October 2012, the aim of SOMPO GU is the acquisition of management knowledge and the facilitation of experience of collaborating with a variety of people. The program includes not only classroom training but also emphasizes practical training through the ALP (Action Learning Project), through which trainees propose solutions to challenges given by CEOs from around the world.

Since its establishment through fiscal 2018, a total of 140 people from 15 countries have participated in this program. On a Group-wide basis, we are fostering globally competent human resources who, regardless of nationality, have

broadened their perspectives through discussions with diverse personnel and acquired fundamental business management knowledge. For middle-ranking employees, we established the Global Leadership Program in fiscal 2017. Aiming to cultivate broader viewpoints befitting future managers, the program includes discussions with the Group's CEO. Moreover, we conduct all parts of the program that are focused on liberal arts and case studies in English. Further, we plan to establish the GEP (Global Executive Program) for senior employees during the current fiscal year.

Using the personnel that we have fostered, we will continue to allocate the right people to the right positions at the right time to enhance Group-wide competitiveness.



SOMPO Global University course held in 2018 ; Participants numbered 21, from 10 countries

TOPICS

As part of efforts to realize an environment in which those with disabilities can use their talents while working, we established SOMPO Challenged Inc. in April 2018. Through the new company, we will create workplaces that give more people with disabilities a real sense of job satisfaction and growth.



The founding members of SOMPO Challenged

Digital Strategy



Koichi Narasaki

Group CDO
Managing Executive Officer

If new technologies threaten to destroy our business, it would be better to destroy and then rebuild it ourselves. This belief drives us to promote digital innovation across the Group. Accordingly, we are pursuing Group-wide innovation by leveraging the power of digital technologies—one of the Group’s core competencies—with the aim of creating new customer experiences.

■ Four Important Themes for Utilizing Digital Technologies

In our digital strategy, we aim to intensively and dynamically utilize digital technologies, which are evolving at an exponential speed, in Group operations. The evolution of technologies could bring about changes dramatically not only in the business processes of insurance companies but also in customers, business models, and the environment. We have set four goals for our digital strategy.

1. Business Efficiency in All Segments

Utilize artificial intelligence (AI) and other new technologies to raise productivity and efficiency

2. Enhancement of Customer Contacts

Develop products and services that enhance customer experiences by utilizing the Internet of Things (IoT)

3. Marketing for Digital Native Generation

Develop products and services that will be chosen by the so-called digital natives

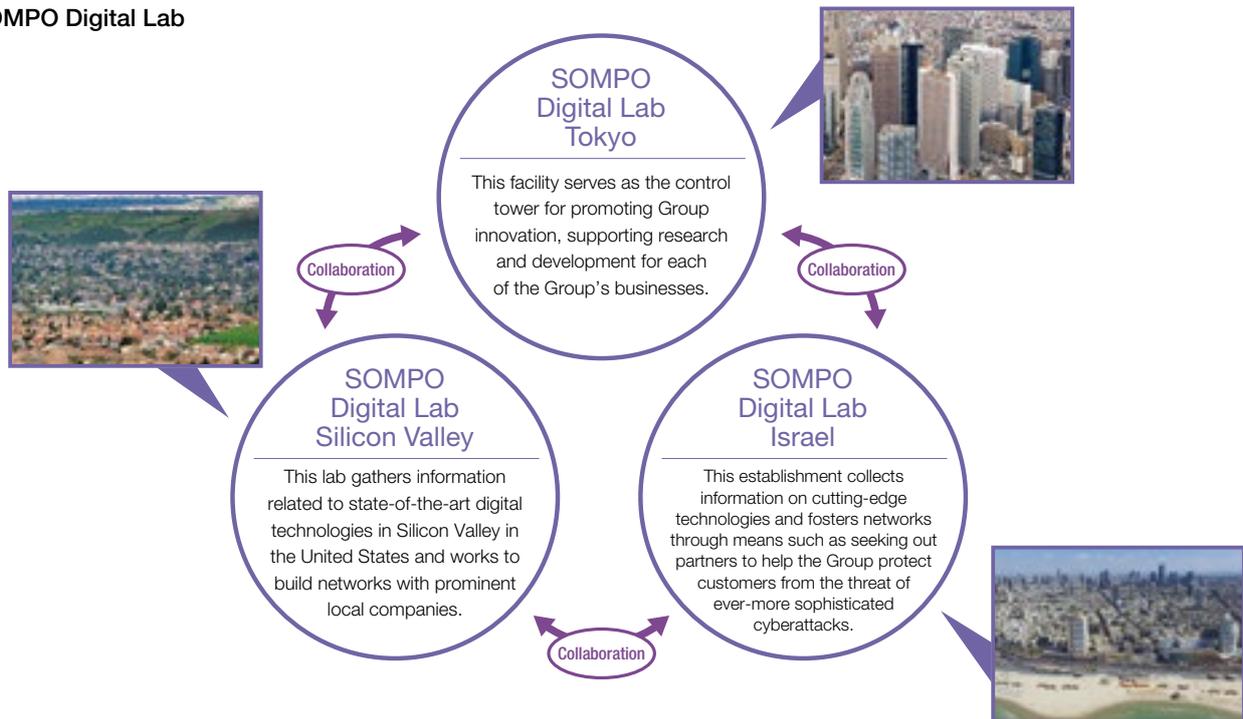
4. New Business Models Utilizing Digital Technologies

Create new business models based on digital technologies

■ Initiative Results

The Sompo Holdings Group is actively conducting verification tests and proof-of-concept trials regarding digital technologies. These efforts enabled us to implement the “AI Voice Recognition System” at the insurance service bases of Sompo Japan Nipponkoa in fiscal 2017. In addition, we have introduced AI technologies for providing swift and highly satisfying responses to various inquiries, such as the *Oshiete! SOMPO* service that responds to questions from sales branches to back-office divisions. We are also introducing insurance underwriting automation and other services that contribute to business efficiency. At the same time, we are providing various products and services that create more valuable customer experiences through the use of Internet of Things (IoT) devices. One such offering would be DRIVING! Living with a Car, a service that utilizes driving monitors equipped with functions supporting safe driving. Of the 42 proof-of-concept trials we have undertaken so far, 10 have been transformed into actual services at Group companies, two of which are currently in the full-fledged development stage. Moreover, we entered into the cybersecurity business in January 2018. We were able to embark on this new journey thanks to the successes of the new business model R&D activities we have advanced thus far.

SOMPO Digital Lab



TOPICS

Adoption of Sophisticated Technologies and Construction of Edge AI Center

We are increasingly seeing IoT technologies being utilized in various fields and industries to accumulate big data comprising sensor, voice, video, and other data so that this big data can be analyzed through AI technologies and then put to use in business activities. However, this trend is creating massive increases in the amounts of data collected and the computing resources required to analyze said data. Accordingly, there is a rising need to develop optimal systems and network architecture in order to minimize the burden of such analyses on networks and to prevent processing delays. At the Sampo Holdings Group, we have developed a cloud server that enables joint storage of data from Nippon Telegraph and Telephone East Corporation and Sampo Systems Inc. We have also constructed an AI center, known as the Edge AI Center, for processing data via AI technologies with minimal network burden and delays.

Sampo Japan Nipponkoa has already developed and released a service that is provided through this AI center. Named *Kasha-Raku Mitsumori*, this application can seamlessly perform procedures spanning from the preparation of insurance estimates to contracting on a paperless basis. The application functions by automatically reading the automobile insurance policies and maintenance vouchers of customers from photographs taken using tablet cameras and then sending this information to our insurance premium calculation system.



Development of Proprietary AI System Using Voice Big Data

In February 2018, Sampo Japan Nipponkoa introduced the "AI Voice Recognition System" at the approximately 10,000 desks of its roughly 300 insurance service bases located throughout Japan. Use of this system is anticipated to help us improve the quality of our insurance services while also increasing work efficiency. Furthermore, the data collected through this system will be used in research of an AI model for providing customer service of impeccable quality. This model will merge the superior phone response skills of our employees with the algorithms we have made by compiling the shared characteristics of high-level responses based on big data analysis of past call records.

IT Governance



Masahiro Hamada

Group CIO
Director, Managing Executive Officer

We will establish competitive edges in each business that help improve the corporate value of the entire Group by building a consistent governance system at home and abroad, properly addressing ever-growing cyber risks, and utilizing rapidly advancing digital technologies.

■ Business Value Creation through IT

The Group's IT strategy involves optimally controlling system costs and risks and building IT systems that contribute to achieving the management goals of each business.

Building on the achievements of past initiatives, we are taking on the following four challenges in order to improve corporate value across the entire Group more than ever, by supporting new business development.

1. Improve and Redesign the IT Governance Framework

Evolving the IT systems of Group companies requires processes based on the regulations of each country and industry in which we operate. Sampo has created an IT governance framework by advancing development, including other management processes, in line with international standards while complying with relevant regulations.

Aiming to maintain and improve this framework, we will work on improving and redesigning it along with updates to the governance system for the entire Group.

2. Enhance Responsiveness to Cyber Risks

We have set up Sampo Holdings CSIRT* to respond to ever-growing cyber risks by enhancing the alertness of each Group company and collecting and sharing external information. In the event of a cyber incident, we will support Group companies respond to the identified cyber incident.

Sampo aims to increase the sophistication of its responses to cyber incidents by utilizing the latest technologies while collecting and sharing key information.

* Computer Security Incident Response Team (see page 89 for details)

3. Advance Digitalization

While coordinating with the Group chief digital officer (CDO), we are moving our digital strategy forward by reinforcing the IT departments of each Group company and assisting them with changes to their system architectures, with the aim of having a meaningful impact on the operations of Group companies through advanced digital technologies.

4. Optimize IT Investments

We will train and optimally assign IT personnel throughout the Group while aiming to generate synergies through the commonization of systems and the joint procurement of hardware and software. By optimizing IT investments, we aim to reduce system costs and risks while increasing the corporate value of each business and the Group as a whole.



Brand Strategy



Kiyoshi Aoki
Group CBO
Executive Officer

Our brand strategy aims to nurture a brand that brings to mind a “theme park for the security, health and wellbeing of customers” whenever the Sompo name is heard. By instilling a corporate culture in the Group that places importance on brands, we are making concerted efforts to enhance the value of the SOMPO brand and help improve earnings in each business. As the transformation of the Group progresses, we aim to increase corporate value by spreading the SOMPO brand and strengthening collaboration among our businesses around the world.

■ Initiatives to Increase Brand Value

In order for the Sompo Holdings Group to realize a “theme park for the security, health, and wellbeing of customers,” it must have a brand strategy that improves awareness and associates the Group with the “security, health, and wellbeing of customers,” by having as many customers as possible *experience* the products and services provided by each business.

After changing our name to Sompo Holdings in October 2016, we have worked hard to increase recognition of our brand by imbuing it with a sense of unity and consistency as a group for our employees, customers, and society as a whole.

In order to enhance the value of our brand further, we believe it is necessary to increase the dissemination of information after strengthening the linkage of Sompo to each business and product brand. With this in mind, we are quickly coordinating initiatives with Group companies around the world and creating a system for disseminating information in countries across the globe.

Recognition of the Sompo Holdings Company Name



Note: Based on an external survey commissioned by the Company

Brand value

Fiscal 2016	\$370 million (#35)
Fiscal 2017	\$409 million (#27)

Note: Brand value and rankings are based on a survey conducted by Interbrand Japan. Reprinted from Interbrand's Japan's Best Domestic Brands 2018 (companies with overseas sales ratios under 30%)

In addition to non-financial information, we have been disclosing information on Group strategies that create value by solving social issues through our transformation into a “theme park for the security, health, and wellbeing of customers,” while aligning them to a constant awareness of social issues and changes in the global environment, such as those defined by the SDGs and ESG.

Note: See page 38 for details about ESG initiatives.

Strategic Risk Management (ERM)



Masato Fujikura

Group CRO
Director, Managing Executive Officer

The Sampo Holdings Group utilizes Strategic Risk Management (ERM) as a compass to guide the Group in building a “theme park for the security, health, and wellbeing of customers.” In response to increasingly diversified and complicated risks, we will continue to enhance Strategic Risk Management to increase corporate value.

■ Strategic Risk Management (ERM)

1. Strategic Risk Management in Business Activities

As risks become more diversified and complex, insurance companies are required to strategically utilize risk management in business decisions, rather than just taking a conventional passive approach. The Sampo Holdings Group utilizes Strategic Risk Management as a management process for increasing corporate value while achieving a balance between capital, risks, and returns, which is also referred to as “Enterprise Risk Management.” There are two aspects of this Strategic Risk Management; one is proactive management that contributes to the execution of strategies and the other is protective management for controlling risks.

Strategic Risk Management is not only to be promoted by management. We recognize that ideal Strategic Risk Management can be accomplished only if all the frontline employees practice Strategic Risk Management in their day-to-day work in respective fields. Accordingly, we will continue efforts to cultivate a Group-wide risk culture that will support such risk awareness.

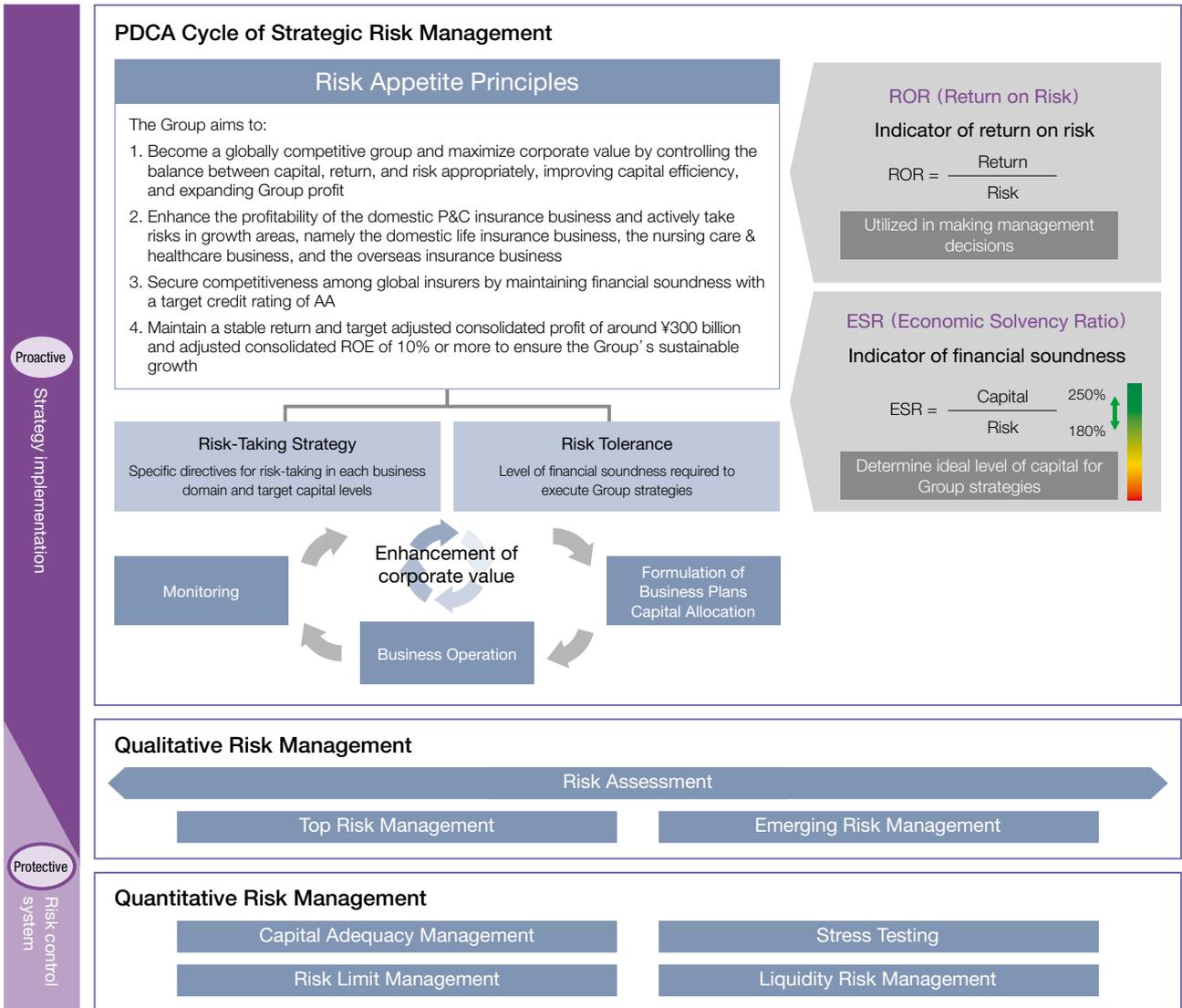
(1) Proactive Risk Management in Business Decisions

The most noteworthy example of proactive risk management can be seen in our business planning framework. We have established the “Group Risk Appetite Statement,” which serves as a guideline for risk-taking. We have constructed and implemented a PDCA cycle (an iterative four-step management plan-do-check-act cycle) for Strategic Risk Management to operate our business. Each business unit formulates a business plan in accordance with the “Group Risk Appetite Statement.” The Group analyzes quantitative indicators, such as Group-wide capital efficiency (ROE), financial soundness (ESR), and return on risk (ROR), and uses this information to determine the optimal business plan from a Group-wide perspective and to allocate capital accordingly.

Indicators such as ROE, ESR, and ROR are also used when making decisions regarding individual strategies in order to help the Group maintain financial soundness and enhance profitability. These indicators are also utilized in the operations of specific businesses and divisions. We thereby endeavor to embed Strategic Risk Management as a Group-wide practice that goes beyond risk management divisions to contribute to the enhancement of corporate value.

(2) Protective Risk Control System

The Sampo Holdings Group has developed a robust risk control system that incorporates both qualitative and quantitative elements in order to minimize unforeseen losses in its operations. ESR is a particularly important indicator for protective risk control as we quantitatively measure the potential impact of various risks on ESR to ensure financial soundness.



(3) Risk Management Culture Underpinning Strategic Risk Management

We strive to cultivate a corporate culture that encourages all employees of the Group to practice risk management by providing training sessions as well as various risk-related materials tailored to different businesses and levels of employees. We endeavor to entrench this culture throughout our organization by increasing the opportunities for employees to be exposed to Strategic Risk Management.

2. Examples of the Utilization of Strategic Risk Management

Strategic Risk Management is widely utilized for making management decisions within the Group.

(1) Utilization in Insurance Product Development and Management

ROR is evaluated, with consideration to the characteristics of each insurance business, when setting insurance premiums in product development and managing the profitability of products after launch. The ROR of each product line is also

utilized in structuring ceded reinsurance schemes, sales strategies, and marketing budgets in addition to being used in product management.

(2) Quantification of Nursing Care Business Risks

We have developed and implemented a unique nursing care business risk model for simulating profit fluctuations based on the profit structure of the nursing care business. Risks quantified through our model are combined with risks associated with insurance and asset management to verify the potential impacts on Group-wide financial soundness.

(3) Evaluations of Risks in M&A Transactions

Decisions regarding M&A transactions and other new business investments are made based on comprehensive evaluations of investment benefit and on due diligence. As part of these evaluations, we assess the appropriateness of investments from a Strategic Risk Management perspective looking at the potential impact on Group-wide capital efficiency (ROE), financial soundness (ESR), and return on risk (ROR) should the investments be executed.

3. Risk Control System

(1) Top Risk Management

Top risks are defined as “risks that may have significant impact on the Group.” A risk owner (officer class) is appointed for each risk and he/she is responsible for implementing countermeasures and managing processes.

Top risks are selected through both a top-down approach, which is based on the recognition of the business environment by the management and outside directors, and a bottom-up approach, which is based on risk assessments performed at the front lines of operations.

(2) Emerging Risk Management

Emerging risks are defined as “risks that could materialize or change due to changes in the operating environment and other factors and may exert significant impact on the Group in the future.” Emerging risks are identified based on risk assessment, reports from external institutions, and other measures, and selected by a specialized team headed by the Group CRO, based on the operating environment outlook, to be managed appropriately.

It is important to consider emerging risks in terms of not only mitigating losses but also future business opportunities, such as development of new insurance products and services. We are thus monitoring, researching, and studying emerging risks on a Group-wide basis.

(3) Capital Adequacy Management

We quantify the risks we are exposed to by using value at risk (VaR), a unified risk indicator, to maintain a sufficient level of capital in comparison to risks. Frameworks are in place to implement appropriate measures to accomplish this objective.

(4) Stress Testing

To accurately understand and manage events having a major impact on the Group, scenario stress testing, reverse stress testing, and sensitivity analyses are conducted on a Group-wide basis to analyze the degree of impact on capital and risk. A system has been established to implement countermeasures if necessary.

(5) Risk Limit Management

To avoid huge losses due to the occurrence of specific events, we have set Group-wide limits that are consistent with risk tolerance with regard to credit risks, reinsurance counterparty risks, and overseas natural catastrophe risks. Risks are managed to ensure that they do not exceed these limits.

(6) Liquidity Risk Management

The Group manages liquidity risks by projecting daily financing requirements as well as the greatest possible cash outflows that could result from incidents such as large-scale natural disasters and by securing the necessary liquid assets to meet such funding needs.

■ Strategic Risk Management (ERM) Development

Our risk portfolio is undergoing significant transformation due to our entry into the nursing care business and the expansion of our overseas insurance business. We recognize the need to continuously evolve our Strategic Risk Management to address the more diversified and complex risks.

The Group is therefore constructing an ERM framework that is truly integrated on a global basis in order to facilitate the further evolution. ERM staff have already been positioned at our major overseas hubs, and these individuals coordinate and discuss with the management and the CRO to work together

in promoting and improving Strategic Risk Management.

In integrating our ERM framework with Sompo International, we hold ongoing discussions between the management of both parties to better coordinate our operations through the mutual sharing of expertise. Moreover, we are consolidating and further enhancing the Group’s expertise with regard to developing more sophisticated natural catastrophe risk management, constructing a cyber risk management framework, and other matters.



Sompo Holdings’ ERM Evaluation by Standard & Poor’s

On April 26, 2018, S&P Global Ratings Japan Inc. raised its evaluation of ERM of Sompo Holdings by one level, from “adequate with strong risk controls” to “strong.”

We believe that this evaluation is a reflection of our continuous and widespread use of ERM practices in making Group management decisions.

ERM Evaluation by Standard & Poor’s

1. Very Strong
2. Strong
3. Adequate with strong risk controls
4. Adequate
5. Weak