

# 1

# Principles of Governance

## —Sustainability as a Management Strategy

012

Governance is foundational for a company in setting purpose and provides oversight for a company's activities that contribute to a prosperous, sustainable society. Without good governance, companies lack the supportive context within which to make progress on the other three pillars: Planet, People, and Prosperity.

From the World Economic Forum White Paper "Measuring Stakeholder Capitalism"



013 The Group's Approach to Principles of Governance

014 Corporate Governance

019 Sustainability Promotion System

030 Compliance and Fair Business Conduct

038 Initiatives to Upgrade Operational Quality

039 Risk Management

050 Initiatives that Address Environmental and Social Issues

# The Group's Approach to Principles of Governance

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the basic philosophy indicated below, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In addition, the SuMi TRUST Group has defined its reason for existence ("Purpose") and identified high priority issues (materiality) such as the declining birthrate and aging population, climate change, and digitalization. At the same time, the Group has made solving social issues its mission, while recognizing it as an opportunity for the Group's own growth, and placed the "balanced creation of both social value and economic value" at the core of its management. The Board of Directors sets out and discloses the SuMi TRUST Group's Reason for Existence ("Purpose"), Management Principles ("Mission"), Ideal Model ("Vision"), and Codes of Conduct ("Value") as the anchor for all of our activities, which is shared by all of the directors, officers, and employees of the Group.

## Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

## Awareness of Sustainability Issues

Amidst the growing complexity of today's environmental and social issues, we are cognizant of the need to align our various functions and systems and deal with every single issue in order to maintain favorable environmental and social conditions over the long term.

As a Group, we have hitherto carried out numerous sustainability initiatives, but we now recognize that our approach is inadequate if we simply continue to operate under our conventional structures and systems. This is why we are conducting a review of the measures and actions we have taken thus far in light of recent changes in the operating environment. In fiscal 2022, we focused on enhancing the effectiveness of our sustainability promotion framework and accordingly engaged in more in-depth discussions at the meetings of the Board of Directors and revised our items of materiality and human rights policy.

Going forward, we recognize that we must enhance the effectiveness of these initiatives. Our policy is to disclose targets for each initiative, thereby making progress and processes transparent, as we steadily push ahead with measures geared towards solving issues of the environment and society.

## Related Materiality

### Governance and Management Framework Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Corporate governance	Risk/Opportunity	Society, clients, shareholders and investors, employees	Establishing a management framework for balancing the creation of both social and economic value.
Fiduciary spirit	Risk/Opportunity	Society, clients, employees	Fulfilling our responsibilities as a fiduciary for the best interests of clients by acting faithfully with due care of a prudent manager.
Risk management and resilience	Risk	Society, clients, shareholders and investors, employees	Ensuring sound management and achieving profitability and sustained growth by taking risks in line with our management strategy.
Compliance and conduct	Risk	Society, clients, employees	Conducting business in compliance with not only laws, market regulations, and internal rules, but also broader social norms.
Security	Risk	Society, clients	Preventing cyber-attacks, constantly reviewing our system risk management framework, and appropriately acquiring, using, and strictly managing client information.