

# Evaluating the Effectiveness of the Board of Directors

As part of its efforts to improve the effectiveness of the Board of Directors, every year the Company issues a questionnaire, which includes a self-evaluation section, to each Director. We use the results of these questionnaires to analyze and evaluate the effectiveness of the Board of Directors as a whole. We also work to improve the functionality of the Board of Directors, and strengthen corporate governance. To this end, we actively incorporate the opinions of Directors, verify measures for any identified issues and for the further evolution of the Company, and carry out PDCA cycles for the execution of concrete initiatives that enhance the functionality of the Board of Directors.

Based on the facts that there was serious misconduct and a new Mid-Term Management Plan would start in FY2024, we evaluated the effectiveness of the Board of Directors for FY2023 to clarify efforts needed to achieve better functional performance after evaluating the past functional performance of the Board of Directors.

## Points of the evaluation of the effectiveness of the Board of Directors FY2023

- A) Evaluation of functional performance of the Board of Directors (ensuring an appropriate deliberation process, deliberation by committees, sharing of awareness of issues, obtaining information and engagement to the extent appropriate)
- B) Evaluation of measures to prevent recurrence based on business improvement orders concerning aforementioned misconduct cases (points to be addressed by the Board of Directors from the viewpoint of supervision, and points to be encouraged for execution)
- C) Future oriented evaluation for the further evolution of the Group (issues to appropriately fulfill roles of the Board of Directors and executive divisions, and management themes to be focused on for enhancing corporate value)

## FY2023 evaluation results

<b>Evaluation on Performance of Functions of the Board of Directors</b>	<ul style="list-style-type: none"> <li>• While the Board of Directors has ensured sufficient deliberation time on important topics such as the Mid-Term Management Plan, the Board of Directors also observed issues such as a gap between awareness in "genba" and management and insufficient sharing of information on issues.</li> <li>• In order to grasp an appropriate range of information, the Board of Directors needs to increase its sensitivity, and also executive divisions need to be aware of more effective information sharing.</li> </ul>
<b>Evaluation of measures to prevent recurrence based on business improvement orders concerning aforementioned misconduct cases</b>	<ul style="list-style-type: none"> <li>• In the process of reviewing measures to prevent recurrence, it is very important that the management takes a direct view of the actual condition of the non-life insurance business, and it is evaluated along with the strengthening of the management system. Also the opinions are expressed that it is necessary to clarify the priority and schedule of measures to prevent recurrence, effective measures, monitoring of implementation status, and roles within the company.</li> <li>• In addition, the most important points of preventing recurrence are "employee education" and "creation of a system to prevent weathering," and the opinions are expressed that it is necessary to evaluate that these are included in the measures to prevent recurrence and to take effective measures against them.</li> <li>• In addition to examining the implementation of corporate ethics and the code of conduct, it is also suggested that information sharing between the Company and subsidiaries and regular opportunities for exchange of opinions between outside directors are also effective.</li> </ul>
<b>Future oriented evaluation for the further evolution of the Group</b>	<ul style="list-style-type: none"> <li>• In order to realize SOMPO's Purpose, further risk-taking and appropriate reporting of the status of business execution to the Board of Directors are required, and portfolio management that fully considers inherent risks is needed.</li> <li>• With regard to the integrated management of the Company and subsidiaries, the opinions are expressed that it is necessary to increase communication opportunities and information-sharing processes among the Group, to examine the way in which the Company engages in subsidiaries, and to continue to seek a flexible and effective governance.</li> </ul>

## PDCA cycles to improve the effectiveness of the Board of Directors



## FY2024 initiatives

Based on the evaluation results and the Group-wide business environment, we have listed topics on which we should have more meaningful management discussions in the Board of Directors and efforts that should be emphasized to achieve better functional performance of the Board of Directors, considering reports from executive divisions, as shown below. Our executive divisions will not only continue to actively accept a broad range of opinions and advice from the Board of Directors and make continued efforts to improve the quality of decision-making but also exchange opinions with outside directors ahead of Board of Directors meetings for deeper management discussion on important business subjects, so that we can meet the expectations of our stakeholders, including shareholders.

### <Topics for Deepening Management Discussions (FY2024)>

- Steady implementation and effectiveness of business improvement Plans
- Business strategies to realize SOMPO's Purpose in each business area (SJ-R at Sompo Japan, growth strategy of overseas insurance and reinsurance business, launch of wellbeing business, etc.)
- Strengthening the Group's management foundation (Management with a focus on capital cost and capital efficiency, human resources strategy, digital data strategy, valuation and value enhancement of invisible assets (brands, engagements, etc.), etc.)

### <Initiatives that should be emphasized to further fulfill the functions of the Board of Directors>

- Further strengthening the effectiveness of the Group's governance and internal controls
- Strengthening the monitoring function for progress and effectiveness of measures to prevent the recurrence of serious misconducts
- Deliberation on highly important themes by focusing on issues
- Enhanced opportunities for reporting on the status of execution
- Clarification of matters to be discussed at the Board of Directors meeting
- Communication and information sharing between outside directors and each statutory committee

**Web** For more information on the characteristics of the Board of Directors, please refer to the section about [Corporate Governance / Sompo Holdings Sustainability Report 2024](#) (pages 110 to 127).