


# Sompo Japan Group's Management



## Corporate Governance and Risk Management

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Sompo Japan is profoundly aware of its mission and social role as an insurance company. This awareness is reflected in our firm commitment to highly transparent governance and effective risk control.

### Corporate Governance

In accordance with the corporate governance policies of NKSJ Holdings, Sompo Japan works to strengthen its relationships of trust with all stakeholders by enhancing the transparency and fairness of its corporate governance and fulfilling its corporate social responsibilities.

#### Overview of Governance Organization of NKSJ Holdings

The Company is structured as a company with a Board of Corporate Auditors. The Board of Directors, which is responsible for important management decisions and the supervision of operations, and the Corporate Auditors and Board of Corporate Auditors, which are independent from the Board of Directors, both work to maintain and enhance the effectiveness of supervisory functions and checks and balances.

To ensure timely decision-making and clarify chains of authority and accountability, the Company has also adopted an executive officer system and strengthened Group solidarity by creating a co-CEO structure.

The Board of Directors is charged with creating a highly transparent group-wide governance structure by formulating basic management policies for the Group, as well as policies concerning the development of the internal control systems on which management is based.

The Company has also established a Nomination and Compensation Committee and Investment Committee to advise the Board of Directors. Both are chaired by outside directors, and outside directors make up the majority of committee members.

 [NKSJ Holdings Corporate Governance  
http://www.nksj-hd.com/en/company/governance/](http://www.nksj-hd.com/en/company/governance/)

### Establishment of Internal Control Systems

Sompo Japan recognizes that sound business development depends on the establishment of structures to support timely and efficient performance of business operations, as well as on company-wide measures to ensure compliance, the establishment of sophisticated and specialized risk management systems for insurance underwriting and asset investment, and the development of highly independent audit systems.

To achieve these goals, it has established three independent organizational units: the Compliance Department, the Risk Management Department and the Operational Audit Department. To ensure independence and enhance the effectiveness of internal control systems, the officers responsible for these three departments do not have concurrent responsibilities for income-earning units.

### Risk Management Systems

Sompo Japan has established Risk Management Rules for risks that may have a significant effect on the Company, namely underwriting risk, asset risk, operational risk, liquidity risk and group risk. It has developed the organizational structures for controlling each risk, and for consolidating and managing such risks.

The Board of Directors and the Senior Executive Committee discuss and approve business strategies, business plans and principal policies with respect to risk management.

Upon receiving reports on important issues concerning risk management, they secure effectiveness of our risk management and then take active steps to strengthen our risk management system.

**Underwriting Risk Management**—Sompo Japan carries out profitability analyses on an ongoing basis and puts in place underwriting standards for each line of insurance, as well as conducts a quantitative analysis of underwriting risk.

In development and revision of insurance products, we not only address underwriting risk but also examine such areas as compliance, sales forecasts system development, and the moral hazard involved in insurance products. Furthermore, we avoid over-concentration of risk by establishing retention limits for each product and diversifying risk through reinsurance arrangements. In addition, we establish reinsurance strategies, making full use of stress testing, in which we measure overall results of large natural catastrophes.

**Asset Risk Management**—Sompo Japan uses an integrated financial risk management model to integrate market risk, credit risk, and real estate risk and interest rate risk of savings-type insurance. In order to avoid excessive accumulation of exposure for specific debtors, we manage credit risk by plac-

ing credit limits for each debtor by means of an internal credit rating system. We write off assets and provide appropriate reserves based on strict self-assessment standards.

**Operational Risk Management**—Operational risk is categorized as business process risk, information system risk, tangible assets risk, employment practices and workplace safety risk, and reputational risk. We strive to prevent the occurrence of these risks and/or minimize losses by assigning the risk owner to manage them.

**Liquidity Risk Management**—Sompo Japan manages liquidity risk by monitoring cash flows on a daily basis and by securing enough liquid assets to meet projected insurance claims that may be caused by a large natural catastrophe.

## Compliance

### Group-wide Compliance Promotion Combined with Continuing Efforts to Strengthen Information Security

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#### Compliance Promotion Systems of the Sompo Japan Group

In accordance with its Basic Compliance Policy, Sompo Japan creates compliance promotion plans for each fiscal year. Under these plans, each department formulates its own compliance implementation plan and sets priorities, including the consistent enforcement of insurance solicitation rules and the reinforcement of management systems for personal information and customer data, and works to resolve any compliance issues identified within the department or the agencies belonging to it.

Information on the progress of compliance implementation plans is shared at monthly district compliance committee meetings. Compliance initiatives are moved forward through specific actions based on the PDCA cycle.

In addition, the Sompo Japan Group companies share the Basic Compliance Policy and Compliance Practice Guidelines, and have established systems to promote compliance and deal with inappropriate activities. Sompo Japan periodically monitors compliance initiatives by Group companies. It also participates in initiatives involving the entire NKSJ Group.

#### Compliance Hotline (Internal Reporting System)

In May 2002, Sompo Japan established an internal compliance hotline as a direct source of advice for employees with concerns about compliance issues. In December 2005, an external hotline was also established. Inquiries can be submitted at any time by telephone, e-mail or letter. As soon as an inquiry is received, steps are taken to resolve the matter. Every report is investigated, and the findings are reported to management.

#### Information Security

To provide non-life insurance services, it is necessary to obtain information from customers. Sompo Japan regards the appropriate handling of customers' information as a social responsibility, and has established stringent control systems that reflect the importance of information management to the reliable performance of its business activities.

#### Personal Information Protection Declaration

In addition to compliance with related laws and regulations, Sompo Japan has also formulated a Personal Information Protection Declaration that defines its basic philosophy in relation to personal information. This declaration has been published on the Sompo Japan website.

#### Managing Customers' Information

An Information Security Office has been established within the Compliance Department to enhance the effectiveness of customer information management through a more specialized approach based on centralized monitoring functions. The Information Security Office provides company-wide coordination of activities relating to customer information. As the secretariat for the Chief Privacy Officer, the director in charge of the Compliance Department, it also formulates and implements basic policies pertaining to the establishment of customer information management systems.

In the event of an information leak, the Information Security Office immediately calls for reports, issues directives concerning appropriate actions and provides support for those actions.

# Human Resource Management

## Sompo Japan sees promotion of employee diversity as essential to quality working environments in which employees can feel motivated.

Note: Tables indicate Sompo Japan only, unless otherwise indicated.

### Basic Code of Conduct on Human Rights

- No employee shall act in any way that discriminates based on social status, birth, race, gender, political views, or opinion in any aspect of duties.
- All employees strive to cultivate a spirit of respect for human rights and contribute to the realization of a society that respects the human rights of each and every person.
- All employees understand that every person is born free and equal in dignity and rights. They are also aware of human rights issues and the importance of diversity and equal opportunity, and act toward one another with a spirit of humanity.  
(Introduced 2002)

The Human Rights Promotion Headquarters was created as an interface for integrated and timely decision making with management participation on key priorities, including the dissemination of knowledge about human rights and other basic standards of conduct, and the company-wide implementation of those decisions. It has developed a range of measures to support systematic efforts to foster dynamic communication among employees and create workplace environments where employees can feel motivated and comfortable. The headquarters' four priority themes are the reciprocal promotion of human rights awareness, health management, time management and the promotion of advancement opportunities for women. Every year, we carry out CSR Literacy Training in which these themes are discussed, with almost 22,000 employees participating in FY2009. Sompo Japan has also established a human rights hotline through which employees can seek advice by telephone or email.

### Diversity and Inclusion

#### Human Resource Management Strategy

Sompo Japan has aligned its human resource management strategy toward the provision of quality working environments in which employees can feel comfortable, secure and motivated. Employees feel motivated when they can devote themselves to their work with clear goals, and when they experience personal satisfaction by earning the recognition of customers, agencies, supervisors and colleagues. We define a quality working environment as an environment that has a culture of free and open communication, and in which effective systems are provided to support employee welfare both at work and at home.

#### Abolishing Human Resource Management Based on Fixed Career Tracks

Sompo Japan has traditionally maintained three staff categories: general, specialist and operational. Our goal now is to improve work quality by adopting a diversity-based approach under which all employees, including non-staff workers are able to achieve their full potential regardless of previous work category or role, and without reference to gender and age. Known as the "New Approach to Work," this initiative is the framework for our efforts to create an

environment in which all employees can achieve and contribute. In July 2010, we reviewed the existing system of fixed career tracks based on the aforementioned staff categories. This process will create systems to support reforms, and lead to an approach to employment that will provide greater freedom and take us beyond preconceived concepts.

#### Opportunities for Women— Increased Promotion of Women to Executive Positions

To enable more women to reach executive positions, we have created the new management position of Operations Leader at the same level as Section Manager for employees who have previously been involved primarily in administrative work. We are building a pool of candidates for executive positions by actively training and promoting women.

Women in Management Positions (as of March 31 each year)

	2008	2009	2010
Managers and above, total (core/general positions)	29	53	69
Senior Deputy Manager	49	45	48
Senior Assistant Manager	250	317	397

### Expanding Opportunities for Non-staff Workers

By giving non-staff workers greater opportunities to excel and contribute, we aim to encourage every employee to help improve work quality. We have developed training programs for non-staff workers under the leadership of workplace training officers. By implementing initiatives encompassing entire workplaces, we are working to maximize our total potential at the organizational level. Under a new system introduced in FY2008, we are actively promoting non-staff workers with the right potential to staff positions. We promoted 28 people under this system in FY2008 and 25 in FY2009.

### Employment and Advancement Opportunities for People with Disabilities

Sompo Japan is helping to create employment opportunities for people with disabilities. We have established recruitment desks in our offices throughout Japan, and advertise on our websites and in national newspapers. Other recruitment initiatives include approaches to the government's "Hello Work" employment service. In FY2009, our employment ratio for people with disabilities was substantially higher than the statutory ratio. Sompo Japan will continue to systematically expand employment opportunities for people with disabilities.

Initiatives to raise the motivation of employees with disabilities include opportunities for promotion from contracted employee status to full-time staff, or reassignment to different temporary worker categories under a new system established in FY2008.

Another goal is to make our buildings and facilities more accessible for people with disabilities. Initiatives to remove access barriers include the installation of slopes and handrails.

#### Percentage of Disabled Employees (as of May 1 each year)

2008	2009	2010
1.50%	1.84%	2.06%

### Work-life Balance Support

#### ● Maternity Leave

Employees are allowed up to eight weeks leave before and after childbirth

#### ● Childcare Leave

Employees, including male employees, can take leave for up to two years to care for children

#### ● Reduction of Working Hours for Childcare

Employees who need to care for children may reduce their working hours by up to three hours per day in one-hour increments. This system is available until the end of each child's third year at elementary school.

#### ● Career Transfer System

This system was established to help employees who would not normally need to undertake work transfers requiring a change of

residence, but are forced to change their places of work for other reasons, such as a work transfer affecting a spouse. On an exceptional basis, Sompo Japan will allow employees in this situation to relocate to another place of work.

### Usage of Work-life Balance Support Programs

	FY2007	FY2008	FY2009
Childbirth	180	232	263
Childcare	214	286	387
Childcare reduced work hours scheme	96	121	165
Family nursing care	2	4	4
Career transfer program	36	57	70

\* When use of any of the programs spans multiple years, both years are counted.

#### Family Day (Nationwide)

On the Family Day, families of employees are invited to visit and see the workplace, where each department differs in its creative initiatives, including the planning of exhibits and other events. This increases awareness of the work-life balance, and contributes toward improved communication between the workplace and families.



#### Promotion of Regional Diversity

In FY2009, we launched cross-industry exchange meetings with local companies with the aim of making women more active in the workplace. These meetings provide opportunities for external networking, exchange of information and sharing of values. March 2010 saw the first such event held at the Nagasaki branch, and these will be expanded nationwide.



#### Expansion of the Childcare Leave Forum

In FY2009, this forum was held in the Tokyo, Chubu and Kansai regions of Japan with the aim of helping employees that take childcare leave to return to the workplace. This offers reassurance prior to their return to work, and through participation of supervisors and colleagues from the workplace, we aim to deepen understanding.



## Employment Situation in FY2009

### Recruitment

Sompo Japan recruitment concept is based on the ideal of achieving the best match between graduate and employer. Good communication is a priority. We ensure that graduates are able to make informed decisions about their careers by providing information through various channels.

#### ● Internship Program

In FY2008, we introduced a one-day internship program that gives students the opportunity to learn about the social importance of non-life insurance. Around 1,000 students participate in this program throughout Japan each year.

#### ● Employee Visit System

Sompo Japan introduced this system in FY2006 to give prospective employees the chance to talk face-to-face with current Sompo Japan employees about their work and the corporate culture. Students can apply to have one-on-one meetings with one of the approximately 1,600 employees whose profiles are listed on our recruitment website.

Employees by Employment Category (as of March 31, 2010)

	Male	Female	Total
Directors, Auditors	17	1	18
Executive officers	27	0	27
General full-time employees	6,168	7,954	14,122
Specialized full-time employees	98	8	106
Contracted employees	2,047	238	2,285
Trainees	702	52	754
Total	9,059	8,253	17,312

\* Except employees on loan to other companies, and including those on loan from other companies.

General full-time employee breakdown	Male	Female	Total
Core positions	5,376	233	5,609
Manager or above	2,368	20	2,388
Senior Deputy Manager	1,546	42	1,588
Deputy Manager	679	57	736
Other	783	114	897
General positions	2	7,718	7,720
Specialists	790	3	793

## Education and Training

### Sompo Japan Professional College

At the core of Sompo Japan's skill development system is an in-house professional education program commonly known as the Sompo Japan Professional College. This program consists of seniority-based training structured for employees in different work categories and at different levels of seniority, and field-specific training designed to enhance specialized expertise in particular fields. In FY2009, approximately 8,700 people participated in training.

In FY2010, we created the Sompo Japan Professional College Learning Portal Site, which provides integrated access to training menus, content, qualification acquisition tools and other resources. This site will facilitate learning by giving employees easier access to educational opportunities that match their individual needs.

#### ● e-Learning

Sompo Japan introduced e-learning\* in FY2008. This approach is now widely accepted by employees and is already helping to improve work-related knowledge and skills. In FY2009, approximately 300 programs were available. The cumulative total of courses taken by individual employees increased from approximately 80,000 in FY2008 to 300,000 in FY2009.

\* e-Learning: Internet-based learning tools that enable employees to study by themselves at their own time.

#### ● The Basic Standards

A new e-learning program called Common-Sense Standards was implemented six times during FY2009. This program is designed to improve the quality of our operations by providing the basic knowledge that every Sompo Japan employee must possess. Topics covered include knowledge about the insurance business, and telephone response skills.

#### ● Reciprocal Teaching and Learning in the Workplace

Sompo Japan implements workplace study groups based on the concept that individuals can achieve personal and professional growth by teaching others. In FY2009, new six study group sessions are held in every workplace throughout Japan. By making reciprocal teaching and learning part of our corporate culture, we have enhanced the level of knowledge acquisition.

#### ● Management Training

In FY2007, we introduced a program of management training to strengthen the management skills of all executives. In FY2009, we provided such training at all offices and branches throughout Japan to impart the management skills needed to improve work quality under the New Approach to Work.

### ● Career Development Support

In addition to the Job Challenge System, which is our in-house job posting program, we have also encouraged career development, skill development and the improvement of specialist expertise under the Dream Ticket System, which guarantees that employees who meet certain selection criteria will be able to move to their desired posts. In FY2009, we created the Career Bridge System, which allows employees in corporate divisions to acquire specialist skills over a period of 6–12 months. We also created education and job assignment systems designed to enhance the specialist expertise of employees in frontline positions, such as sales offices and service centers\*.

\* SC: Claims handling service centers, located throughout Japan.

### ● Global Human Resource Development

Sompo Japan is expanding its overseas business infrastructure by developing global human resources with the ability to work collaboratively with people from different cultures and countries. In FY2008, we established the Overseas Trainee Program, under which employees spend three months learning about our overseas business through on-the-job training at Sompo Japan Insurance (Singapore). By the end of FY2009, 11 people had completed training under this program.

## Creating Open and Energized Workplaces

### Improving the Working Environment

#### ● Preventing Industrial Accidents

A traffic accident involving a company vehicle is an occupational accident. Sompo Japan is working to prevent accidents by implementing a road safety education program.

#### ● Mental Health Program

Sompo Japan is working to maintain and promote mental health under a system established in November 2009 in cooperation with Sompo Japan Healthcare Services Inc. Besides care provided by industrial physicians specializing in mental health, who are based in the head office building, the system also actively supports self care, including measures to help employees understand, prevent, mitigate and cope with stress and other mental health issues, and line care, whereby supervisors provide advice and improve aspects of workplace environments that affect mental health. Care training for line managers is provided via the e-learning system. All executives again participated in this program during FY2009.

### Enhancing Work-Life Balance and Productivity through Measures Relating to Working Hours

Sompo Japan is promoting a good work-life balance by working to further enhance the effectiveness of initiatives to reduce overtime hours. This includes efforts to improve the

efficiency and effectiveness of work, and the development of infrastructure to allow accurate monitoring of each individual's working hours. In FY2009, we introduced a new rule designating the second and third Wednesdays of each month as company-wide "No Overtime Days." These and other measures to shorten working hours resulted in a year-on-year reduction in the overtime ratio.

### Healthy Labor Relations

Sompo Japan has signed a labor agreement with the Sompo Japan Insurance Workers Union, which has approximately 10,270 members. There are regular labor-management meetings, including management consultation meetings. In FY2009, there was extensive consultation between management and labor, especially regarding proposed changes to human resource management systems. Union membership increased by approximately 600 following the inclusion of workers on fixed-term contracts.

#### From the Sompo Japan Insurance Workers Union

Under the basic activity policy for its 8th year, starting in September 2009, the Sompo Japan Insurance Workers Union worked to strengthen its status as an organization that enjoys the genuine support of all employees. In accordance with this policy, the union sought to canvass the views and opinions of colleagues working in the same workplaces, and to improve the working environment by recruiting contracted employees as union members. These efforts resulted in the recruitment of approximately 600 new union members.

Following the merger between Sompo Japan and Sompo Japan Chosa Service, we arranged a merger between the Sompo Japan Chosa Service Labor Union and this union. This resulted in approximately 1,950 new members.