

# Management Foundation

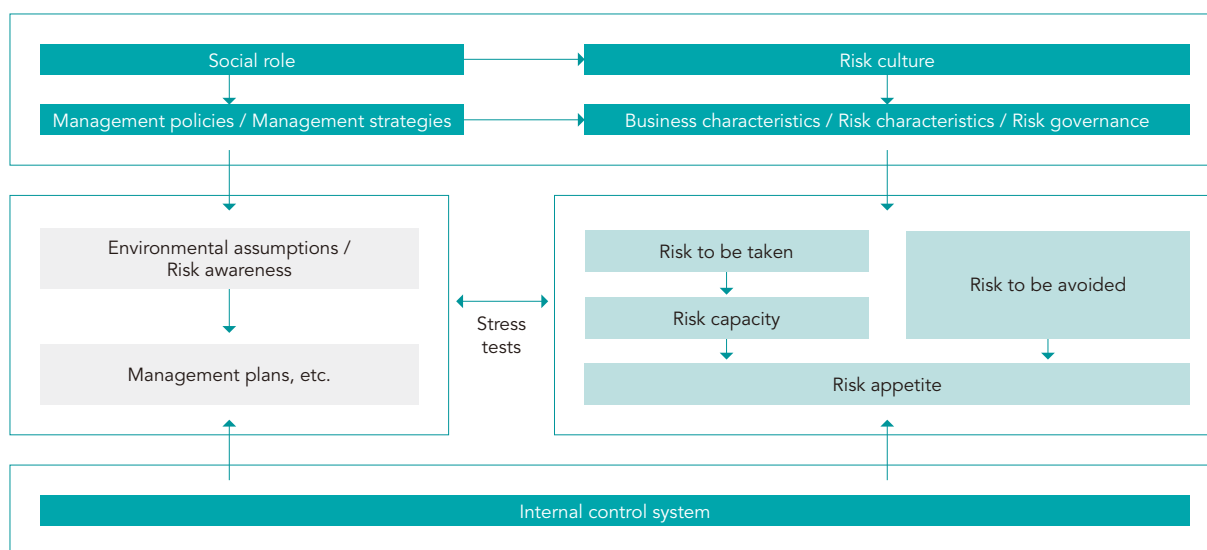
## Risk Appetite Framework

### 1. Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve the management strategies formulated by management based on the Group's social role and management principles, together with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promote the enhancement of the transparency of deliberation and determination process for the overall risk taking policy in capital allocation and profit maximization, etc. through the setting, communication, and oversight of risk appetite, as well as the optimization and speed-up of allocation of management resources and reinforce the monitoring system through the use of RAF as the universal language of the Group.

#### ■ Outline of the Risk Appetite Framework



### 2. Operation of Risk Appetite

#### (1) Determining Risk Appetite

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Mission, Vision, and Value, and takes into account the results of stress tests to set risk appetite indicators, then they are resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators for

each business within the scope of policy set by the Board of Directors, which will be then resolved by the Executive Committee.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan. These are reviewed at any time at least once a year or when necessary.

#### (2) Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and

cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or revises the levels.

### (3) Risk Governance

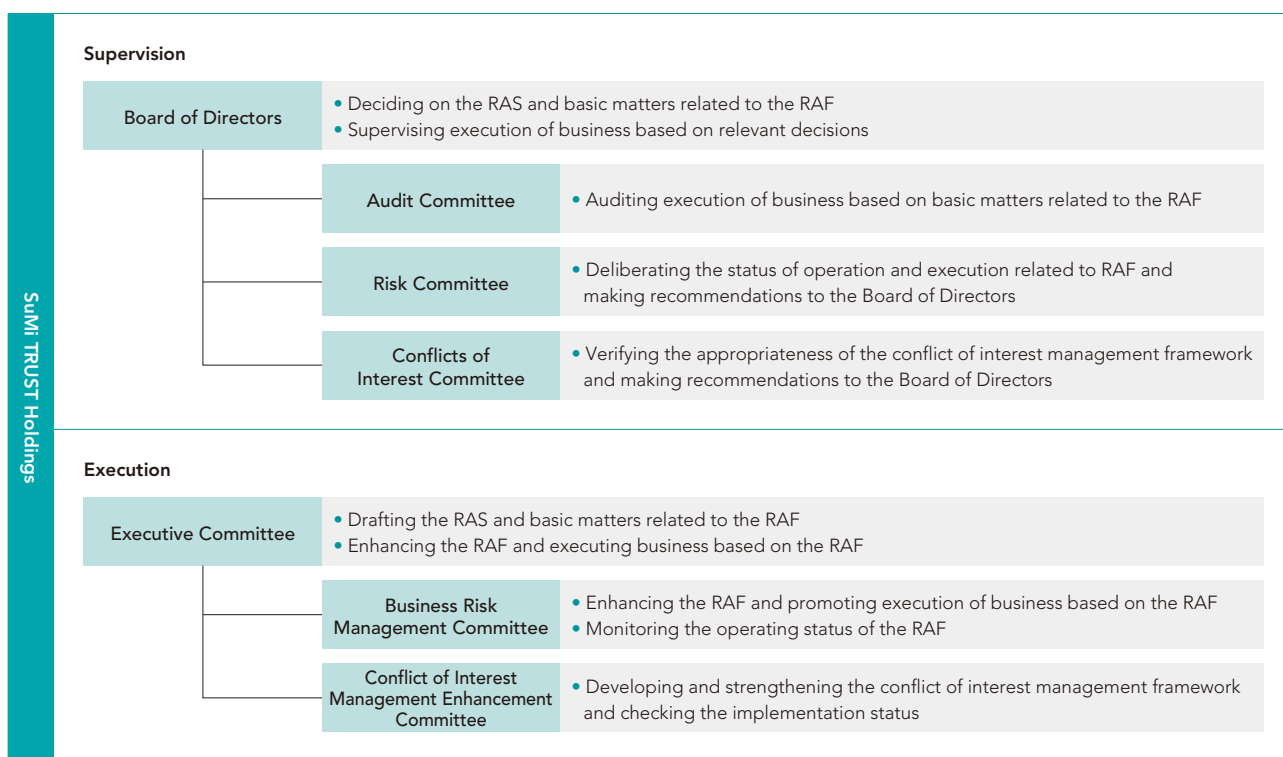
Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk tak-

ing, by clarifying and monitoring risk appetite.

The Group promotes the enhancement of risk governance, with the aim of achieving the sound development of the Group.

SuMi TRUST Holdings strives to enhance the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

#### ■ Risk Appetite Framework Operating System



## 3. Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group's organizations, as well as its directors, officers and employees, that flexibly carry out risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture that takes root across the

Group, we have formulated risk-taking policies for each business to clarify management strategies, and are endeavoring to have all its employees secure soundness through appropriate risk taking and develop a sustainable business model. In addition, we have formulated a Risk Appetite Statement clearly stating our RAF, which is used as a universal language in lively discussions concerning risk appetite within the Group.