

# Compliance

## 1. Basic Initiative Policy

---

The Group has positioned compliance as one of its most important management issues necessary for the realization of “The Trust Bank,” its management principles and ideal model, and set out “strict compliance with applicable laws and regulations” in the Codes of Conduct (“Value”).

The Compliance Rules formulated by the Board of Directors define the Group’s overall basic policy, the standards that directors, officers and employees must follow, and the Group’s organization structure for realizing compliance,

creating a compliance system befitting “The Trust Bank.”

The Group’s stakeholders are becoming more demanding every day, and their expectations are rising. Under these circumstances, we aim to meet their expectations and win their trust by not only complying with laws, regulations, and rules, but also by implementing better and best practices.

Compliance-related risks fall under the category of legal & compliance risk, which is a sub-category of operational risk.

## 2. The Group Compliance Framework

---

The Group formulates the Compliance Program, which consists of specific practice plans for implementing compliance within the Group each fiscal year, with the approval of the Board of Directors, and the Board of Directors periodically receives reports on the progress and evaluation of the Compliance Program.

SuMi TRUST Holdings manages the compliance framework for the entire Group in order to create an appropriate framework in line with the characteristics of operations of each Group company. This is done by formulating the companies’ Compliance Programs and providing guidance and oversight on the progress and achievement status of these programs.

## 3. Initiatives to Foster Compliance Awareness

---

The Group has created a Compliance Manual containing explanation of laws and regulations that must be followed and actions to be taken in the event of the discovery of compliance infractions, with the approval of the Board of Directors, and employees across the Group are thoroughly informed regarding its contents.

We are also improving compliance education to promote the fostering of compliance awareness throughout the entire Group. Specifically, we provide training materials for e-learning and discussion-based study sessions on themes

shared by the entire Group. In addition to the training using the materials mentioned above, each Group company implements training and study sessions in accordance with the characteristics of their operations and products and the attributes of their clients, as well as e-learning on specific themes, to foster compliance awareness among employees.

Furthermore, in order to accurately grasp the status of the penetration of compliance awareness, the Group conducts awareness surveys on compliance at major subsidiaries and elsewhere to understand and improve any issues found out.

## 4. Hotline System

---

The Group has established a compliance hotline system through which all directors, officers and employees can report violations directly to the Compliance Department and an external attorney’s office. This hotline system enforces the rigorous control of information and protection of privacy to ensure the protection of whistleblowers, and strictly prohibits their adverse treatment. Simple

reporting functions have also been put in place, including by telephone (the external attorney’s office) and through a Web-based system (in-house point of contact (SuMi TRUST Bank)).

An accounting hotline system has also been established for the reporting of inappropriate accounting.

## 5. Prevention of Money Laundering\*<sup>1</sup>

The Group has released its “Anti-Money Laundering Compliance Policy” with the approval of the Board of Directors, and made clear its resoluteness in standing up to money laundering.

We oversee the status of the anti-money laundering framework’s development and provide guidance on improving the framework at each Group company through periodic risk assessment on the framework. This effort is to prevent abuse of financial services within the entire Group including overseas bases. For risks that are identified, each Group company implements risk control measures according to risks. For instance, SuMi TRUST Bank carries out additional confirmation according to the transactions’ content, and it verifies, using an AML system\*<sup>2</sup>, whether any illicit transfers between accounts have taken place, and has a system in place for employees, when coming across transactions suspected to be related to illegally obtained money or used

to finance terrorism, to immediately report to the person in charge, who notifies the relevant authorities. We also work continuously to improve the system, for example by enacting special provisions in response to the Financial Services Agency’s publication of its Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism.

In addition, we support internal training programs by each Group company and employees’ acquisition of specialized certifications on anti-money laundering. Internal training programs on anti-money laundering are provided periodically.

\*<sup>1</sup> Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as “money laundering prevention countermeasures.”

\*<sup>2</sup> AML system: Anti-Money Laundering system

## 6. Initiatives to Prevent Bribery

The Group, with the approval of the Board of Directors, has published its “Anti-Bribery and Corruption Compliance Policy,” and under the supervision of the management team, implements anti-bribery and anticorruption programs. We review and strengthen the programs through regular assessment of risks related to bribery and corruption, and endeavor to improve the framework for prevention of bribery and corruption. We do this by taking such measures as fostering

a close-knit collaboration between our overseas bases and local legal offices to allow for swift and proper responses at overseas bases, where such risk is high.

In addition, the Group provides directors, officers and employees with regular training each fiscal year. Also provided is additional specialized training for employees at departments with a high potential risk of facing bribery, and written pledges for compliance are obtained from the employees.

## 7. Response to Antisocial Forces

The Group has declared its resolute stance against antisocial forces in its Codes of Conduct (“Value”) and takes initiatives to prevent transactions by antisocial forces. The aim is to realize “The Trust Bank,” the Group’s management principles, and ideal model. Specifically, we have incorporated a clause to exclude organized crime from transactions in various products, services, etc., and established a framework to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan,

before providing new personal loans, etc. In cases in which the counterparty in a transaction is found to be an antisocial force after the commencement of a transaction, we take measures in close coordination with the police and other external expert organizations for the eventual cancellation of the transaction.

In addition, we provide directors, officers and employees with training for the prevention of transactions with antisocial forces each fiscal year to strengthen awareness of preventing such transactions.

## 8. Initiatives to Prevent Insider Trading

Through its “Rules on Insider Information Management,” the Group strictly regulates the handling of information that may be obtained during the execution of working duties.

In addition, we have established a framework for regular

training on prevention of insider trading, and we obtain written pledges for compliance with internal rules from directors, officers, and employees.