

# 1 Principles of Governance


## —Sustainability as a Management Strategy

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"

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A series of light blue silhouettes of business professionals in various poses, including sitting at desks with laptops, standing and talking, and shaking hands, set against a teal background.

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- A close-up photograph of a silver compass with a black face, showing cardinal and intercardinal directions (N, NE, E, SE, S, SW, W, NW) and degree markings.

# 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.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, communities, NPOs	Minimizing negative impacts through business (e.g., investments and loans in line with sector policies and ESG guidelines, and engagement that takes into account how borrowers and investees impact society and the environment)

### Governance and Management Framework Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Corporate governance	Risk/Opportunity	All stakeholders	Sustainable improvement of the management framework that balances the creation of both social value and economic value and enables us to realize our Purpose (please see Integrated Report for details)
Risk management and resilience	Risk	Shareholders, investors, employees, governments	Response to risks, including event risks such as natural disasters (identifying risks and formulating clear policies, establishing a comprehensive management system, and developing a risk-response culture through employee training)
Systems maintenance and combatting cyber attacks	Risk	Clients, governments	Response to cyber attacks (ransomware, DDoS attacks, information theft), prevention of system development delays and cost increases
Safety of financial products	Risk	Clients	Appropriate management of risks inherent in financial products (including proper sales to customers)
Compliance	Risk	Clients, employees, governments, international organizations	Fostering a corporate culture that does not deviate from corporate ethics and codes of conduct, elimination of transactions with antisocial forces, crime prevention (money laundering, terrorist financing, special frauds such as bank transfer scams, etc.)

### Financial Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Risks (For detailed guidelines, please refer to our Annual Report -Financial Data Section)
Preserving financial capital	Risk	Shareholders, investors, governments	Deterioration in creditworthiness of certain large creditors, unfavorable real estate market conditions, and decline in value of cross-shareholdings
Acquiring sustained earnings	Risk	Shareholders, investors, governments	Decrease in gross business profit in the loan and deposit business

Highly Relevant SDGs

