

Fostering Trust and Confidence Supports an Abundant Future

Sumitomo Chemical aims to achieve sustained growth and a sustainable society by creating both economic and social value. To this end, value creation platforms — initiatives in R&D, human resources, addressing climate change, and strengthening corporate governance are essential and indispensable. The following pages introduce these various initiatives.

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Research and Development

Basic Policy


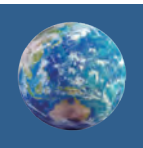


Amid increasing uncertainty about the business environment surrounding Sumitomo Chemical, the role played by the chemical industry in solving societal issues such as the environment, energy and food issues is enormous, and our business opportunities are expanding. Our research and development is based on the following basic policies: (1) early market launch of development items; (2) building the foundation of

next-generation businesses; (3) building and operating the system to continuously create innovation; and (4) promoting R&D based on business (conversion) strategies and intellectual property strategies. The new Corporate Business Plan, which began in April 2019, will focus on accelerating the development of next-generation businesses in line with these basic policies under the slogan "Change and Innovation 3.0 — For a Sustainable Future."

New Corporate Business Plan Initiatives

In the new Corporate Business Plan, "Accelerating the development of next-generation businesses" is one of our basic policies. For this reason, we have established four priority areas, "Healthcare," "Reducing environmental impact," "Food," and "ICT," that should be addressed in order to solve issues related to the creation of sustainable societies through our business activities. In each of these priority areas, we are working on projects that enable us to demonstrate our core competence and where we can expect long-term expansion of business opportunities. In addition, we will promote R&D by implementing and thoroughly utilizing not only AI/ML in R&D sites but strengthening open innovation in cooperation with academia and startups.

Medium- to Long-term Priority Areas

Healthcare	Reducing Environmental Impact	Food	ICT
			
Focus Domains			
Advanced medical care Preventive care solutions Early diagnosis and health examination	Energy storage Energy saving Carbon cycle	Precision agriculture Food sensing Breeding	Super-smart society Smart mobility

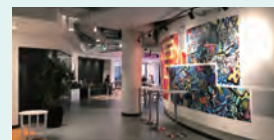
Topics 1 Initiatives for Accelerating Open Innovation

In the Cambridge area of Boston, Massachusetts, the United States, the world's largest innovation hub with a concentration of world-class universities and startups, we established our Corporate Venturing & Innovation Office (CVI) as a new base for innovation. In addition, we are investing as a limited partner in investment funds operated by Cultivian Sandbox Venture Partners III, a pioneer venture capital firm in the next generation of food and agricultural

technologies. As a result, we will strengthen startups in the U.S., cooperate with academia, and explore business opportunities.



Cambridge Innovation Center where CVI is based



Shared communication space

Topics 2 Partnership with Zymergen in Developing High-performance Materials

We began a multi-year partnership with Zymergen to bring new specialty materials to the market. Zymergen is a company with outstanding technologies that can create new compounds that are sustainable and renewable through synthetic biological methods. The combination of Zymergen's technologies with our material-development

capabilities, which we have cultivated as a leading supplier in the electronics field, enables us to provide superior products that are both high-performance and environmentally friendly, which is not possible with conventional methods. Through these efforts, we aim for further development in the field of electronics and other fields.

Intellectual Property

Basic Policy

Sumitomo Chemical conducts intellectual property (IP) activities in accordance with the following basic policies.

IP Activities:

1. Be in line with the business strategy
2. Create global business value
3. Strive for the utilization of all results of research and technology development
4. Observe the law and respect rights

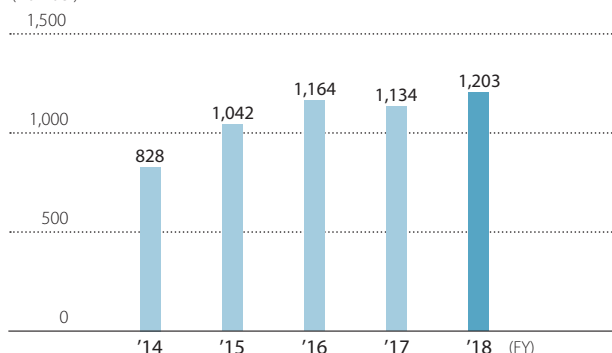
While respecting the valid patents of third parties, we are working to acquire and protect “wider, stronger, faster-registered and longer-lasting” patents globally for the results of our research and technology development, and we then strategically promote our business activities as well as those of our Group companies and ultimately maximize our business value.

Operating IP Activities

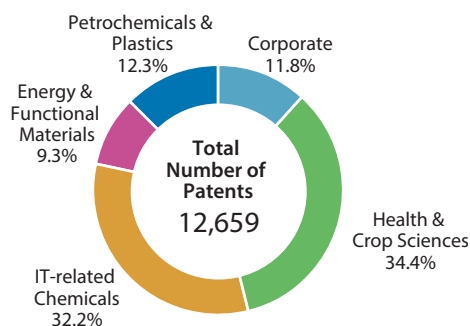
IP search and analysis play an important role in R&D and commercialization. We use rapidly advancing IP search software and AI technologies to search and analyze current development in related technologies and the patents of other companies, and also to construct our own patent portfolio. As competition becomes increasingly complex and intense and globalization of our Group businesses is progressing, it is becoming increasingly important to conduct timely and accurate search and analyses, applications and protection of intellectual property rights, including patents, in a manner consistent with the way of each business. Conducting these activities in cooperation with our Group companies in Japan and overseas, we are working to apply for and prosecute intellectual property rights overseas, including in Asia, the Americas, and Europe, and make them the foundation of our business activities including third-party licensing.

Number of Domestic Patent Applications

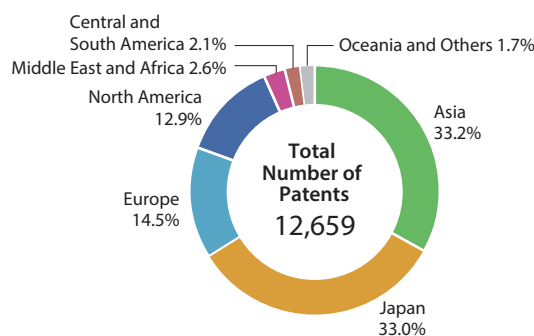
(Number)



Number of Patents Held by Sector (Non-consolidated) (as of April 2019)



Patents Held by Region (Non-consolidated) (as of April 2019)



Digital Innovation

We Will Work to Improve Productivity through Digital Innovation.

It can be said that the world is now in a major period of change. With the development of the global economy, people's lives are becoming more convenient and rich, but major issues such as greenhouse gases, marine plastics, and food are emerging that stand in the way of creating a sustainable society. On the other hand, the rapid development of technologies such as biotechnology and AI has been remarkable, and it is possible this will lead us to unexplored areas that were previously considered impossible. Under these circumstances, we believe that the chemical industry plays a major role in creating new value through innovation.

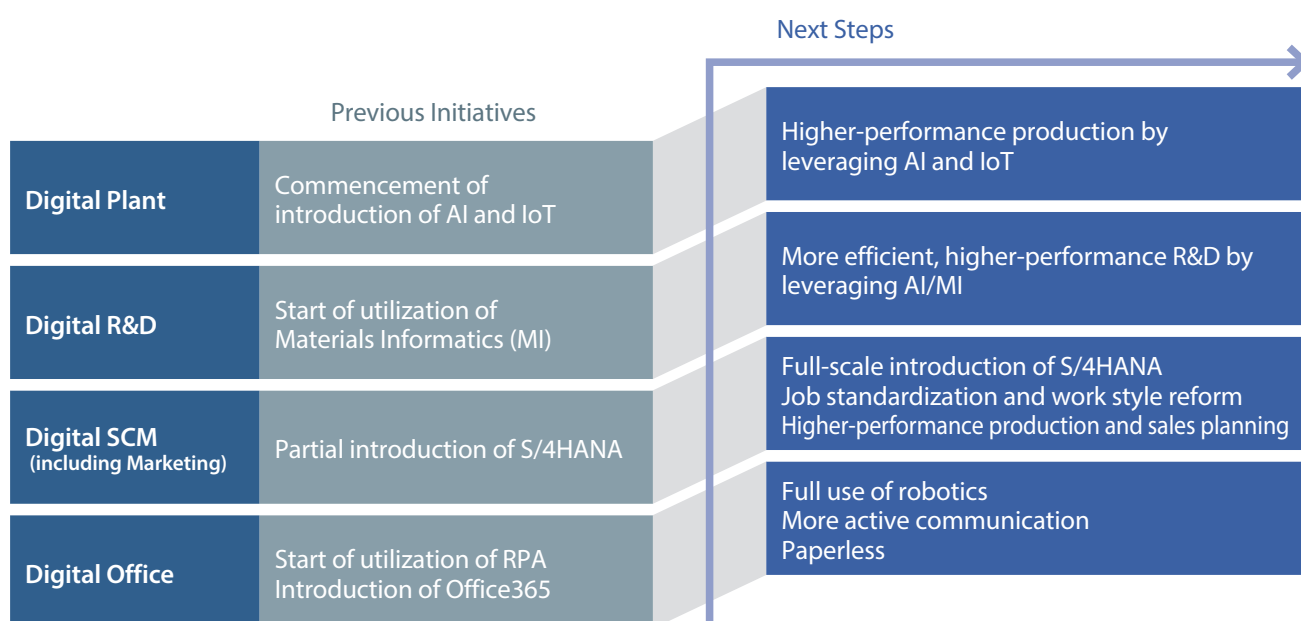
The new Corporate Business Plan, which began in April 2019, focuses on "Accelerating the development of next-generation businesses" and "Improving productivity through digital innovation" to promote it. Since the previous Corporate Business Plan, some digital technologies have been introduced on a trial basis in the fields of plants, R&D, supply chain management, and offices. However, the new Corporate Business Plan aims to achieve dramatic improvements in productivity through more full-scale digital innovations.



Hiroshi Ueda

Director &
Executive Vice President

Initiatives for Digital Innovation



IT-related Investment during the New Corporate Business Plan (FY2019-FY2021) Period: ¥60 billion

Improving Productivity through Digital Innovation

Plant

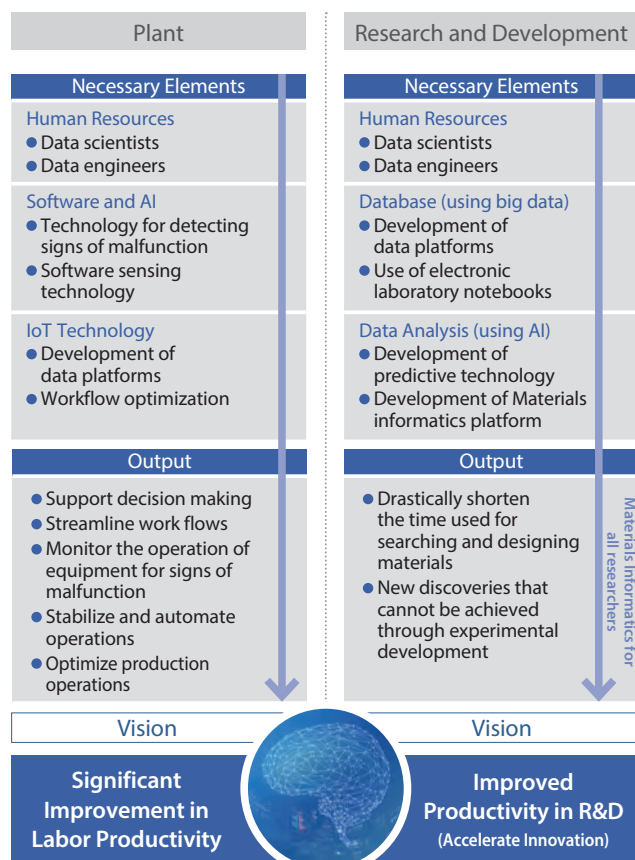
In Japan, the labor population is expected to decline drastically due to the declining birthrate and aging population, and the construction of a plant management system capable of achieving high labor productivity at manufacturing sites has become an urgent necessity. Aiming to dramatically improve labor productivity, we will introduce IoT technologies, such as drones, wearable equipment, and various sensors, as well as platforms and analysis technologies necessary for analysis of operational data to manufacturing sites. We will continue to develop digital human resources that can utilize these technologies to a high degree.

Research and Development

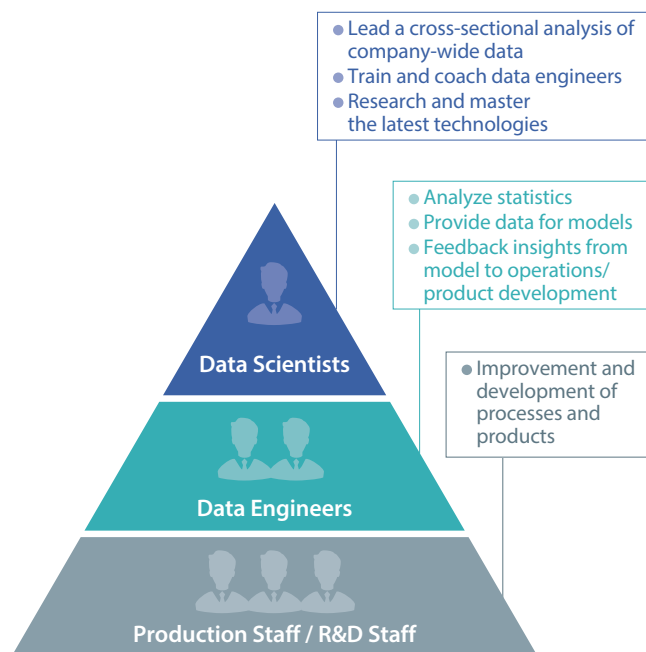
Amid increasing uncertainty about the business environment, R&D needs to be made more efficient and sophisticated. We will promote innovation in data-driven research and development to significantly shorten the material search and design period and to seek new discoveries that cannot be achieved through empirical development. Specifically, we will make use of ML, build the data base necessary for ML, and acquire and train digital human resources.

Digital and Data Science Innovation Department Established

In April 2019, we established the Digital and Data Science Innovation Department, a group of internal data analysis and simulation specialists (data scientists), in order to increase the sophistication of R&D, manufacturing technologies, and sales activities through the use of large-scale data. The Digital and Data Science Innovation Dept. will take the lead in analyzing R&D, manufacturing technologies, sales, and other data, and solve issues in various areas. These will improve the efficiency, sophistication, and acceleration of operations. In the area of human resource development, we will develop both data scientists with advanced data analysis techniques and data engineers with advanced domain knowledge in the field of R&D and production processes who can also analyze data. Over the next three years, we aim to train around 20 data scientists and 150 data engineers. We will promote the transformation of our data-driven business processes, centered on the Digital and Data Science Innovation Dept., and strongly promote the creation of new value.



Role of Digital Human Resources



Addressing Climate Change

The Sumitomo Chemical Group is working to solve the climate change issue, which has a major impact on our lives on a global scale, by both responding to risks and seize opportunities making use of our technological capabilities as a diversified chemical company.

Governance and Risk Assessment

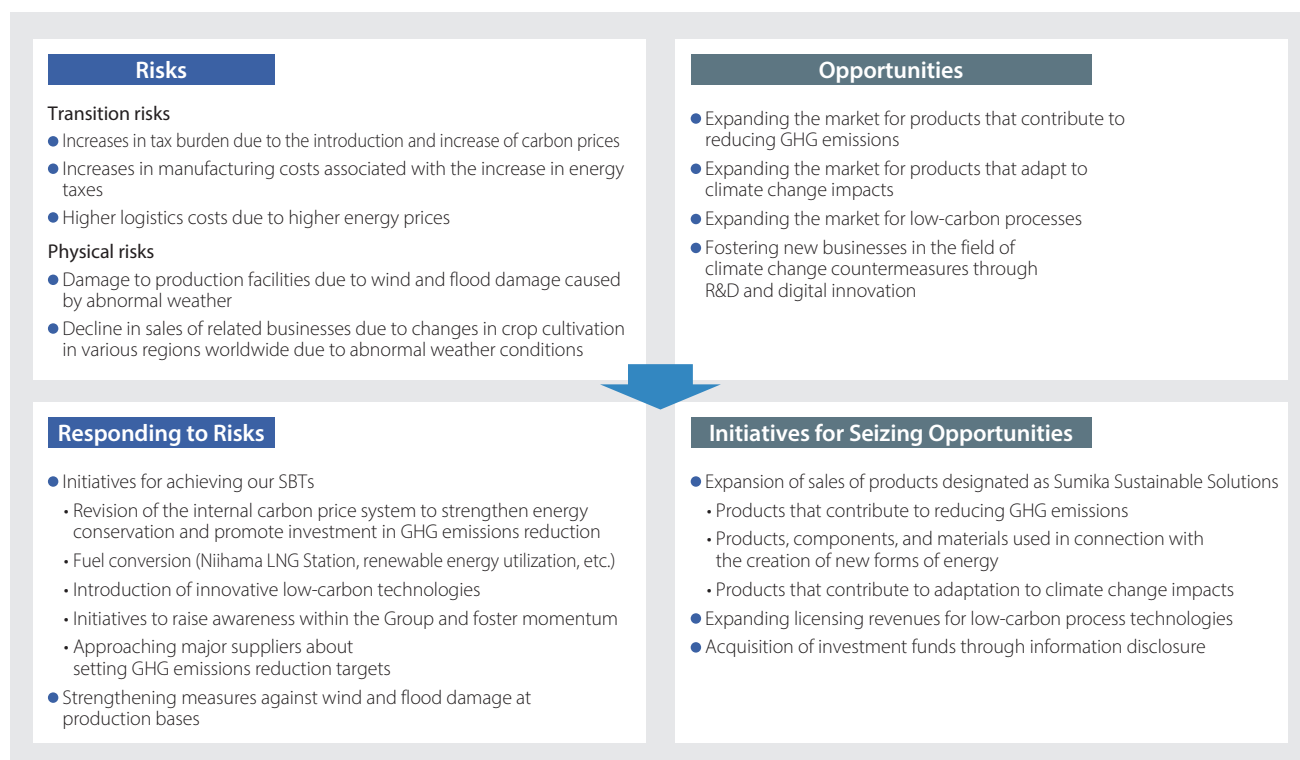
The President is responsible for promoting climate-change measures, together with the executive officer of Responsible Care. In March 2018, medium- to long-term plans for greenhouse gas (GHG) reductions were deliberated at our management meeting and we agreed to establish science-based targets (SBTs) in accordance with the Science Based Targets

initiative. The Sustainability Promotion Committee and the Responsible Care Committee periodically deliberate and decide on measures to deal with climate change. The Responsible Care Committee also assesses and monitors the risks of climate-related challenges.

Strategies: Responding to Risks and Seizing Opportunities

The Sumitomo Chemical Group has established a dedicated organization in the Responsible Care Department to deal with climate change. The organization identifies and analyzes the risks and opportunities posed by climate change issues to the Sumitomo Chemical Group's business over the medium- to long-term, including the size, scope of impacts, and other issues. In addition, we are implementing measures to respond to risks through initiatives for achieving our SBTs, and striving to seize new business opportunities through the development

and spread of products and technologies designated as Sumika Sustainable Solutions. Concrete initiatives are reported to management meetings, the Sustainability Promotion Committee, the Responsible Care Committee, the Plant Managers' Meetings, and the Group-wide President Meetings. In order to steadily implement these initiatives, we hold meetings linking factories, research laboratories, business sectors, and Group companies, and have established a framework for prompt information sharing.



Scenario Analysis

TCFD recommendations call on businesses to analyze scenarios and disclose the potential impacts of climate change on their businesses in the future.

Since our Group belongs to the energy-intensive chemical industry, greenhouse gas (GHG) emissions are large, and if carbon prices are introduced, the impact on our business will be relatively large compared to other industries.

• Future carbon prices in developed countries, including Japan

(According to the "World Energy Outlook (WEO) 450 Scenario," published by the International Energy Agency (IEA), in line with the 2°C target of the Paris Agreement)

2030	\$100 per metric ton of carbon-dioxide equivalent (mtCO ₂ e)
2040	\$140 per mtCO ₂ e

• Assuming the situation in 2040 is as follows

Our Total GHG Emission Volume	approximately 7.8 million tons per year in terms of CO ₂
Carbon Prices	from 10,000 to 14,000 yen per mtCO ₂ e



Our total costs due to GHG emissions would have increased by approximately 73 to 102 billion yen per year.

Although the above is just one estimate, the fact that we quantified and understood the magnitude of mid-to long-term risks was a major factor in encouraging our Group to respond to risks. In the future, we will continue to identify the latest external scenarios, share knowledge with chemical companies around the world, and proceed with scenario analysis.

Metrics and Targets

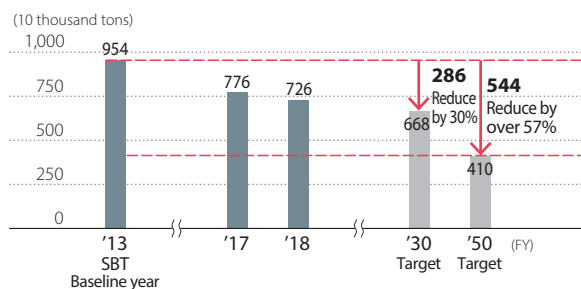
Responding to Risks

➤ See P26 "ESG Strategies 4"

Our Approved GHG Emissions Reduction Targets

Scope 1 + 2		Scope 3
By FY2030	By FY2050	By FY2024
Reduce by 30% (vs. FY2013)	Reduce by over 57% (vs. FY2013)	Have major suppliers set reduction targets

GHG Emission Volume and Reduction Targets

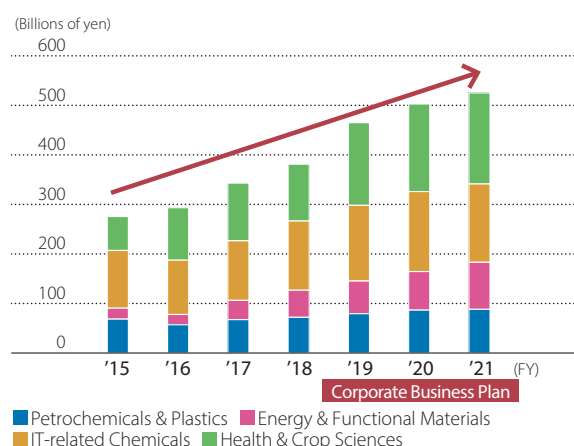


Our Group will focus on reducing its GHG emissions (Scope1+2) by 57% or more from fiscal 2013 levels by fiscal 2050, while providing solutions for significant GHG reductions in the value chain.

Initiatives for Seizing Opportunities

➤ See P27 "ESG Strategies 5"

Sales Revenue of Designated Products and Technologies



FY2018

Sales revenue of Sumitomo Chemical Group	2,318.6
Sales revenue of SSS	381.3

We aim to quickly double the sales revenue of designated products and technologies compared with FY2015.

Human Rights

Approach to Human Rights

Sumitomo Chemical regards respect for human rights as one of the foundations for ensuring sustainability of its business. In April 2019, we established the “Sumitomo Chemical Group Human Rights Policy” and the “Human Rights Promotion Committee,” a committee tasked to promote human rights, based on the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental

Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. In order to ensure that the Group as a whole is committed to respecting human rights, we make every effort to ensure that all Group companies in Japan and overseas are fully aware of our basic policies.

Sumitomo Chemical Group Human Rights Policy (Effective April 1, 2019)

This policy was formulated based on the advice of outside human rights experts with practical experience.

Sumitomo Chemical Group (Sumitomo Chemical Co., Ltd. and its Group Companies) has put in place this Human Rights Policy (“Policy”) to demonstrate its commitment to international standards on human rights. All directors, executive officers and employees (“Personnel”) of the Sumitomo Chemical Group will uphold this Policy.

1. Our Position on Human Rights

(1) Compliance with Standards, Laws and Regulations

We support and respect international standards on human rights, such as the Universal Declaration of Human Rights, International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and promote respect for human rights in line with the United Nations Guiding Principles on Business and Human Rights. Sumitomo Chemical Co., Ltd. is a signatory to the United Nations Global Compact and supports its Ten Principles, which include human rights and labor.

We comply with applicable laws and regulations in countries and regions where we operate, and where local laws and regulations conflict with international standards, we will seek ways to honor the principles of internationally recognized human rights.

(2) Respect for Human Rights in Our Business Activities

We do not discriminate against individuals based on employment status, age, sex, ethnic or social origin, ancestry, nationality, disability, religion, beliefs, marital status, or any other status. We do not tolerate any form of harassment, including sexual harassment or workplace bullying. We also respect fundamental labor rights including freedom of association and the right to collective bargaining, and prohibit forced labor or child labor.

We are committed to respecting human rights in our business activities and also strive to avoid contributing to infringement of human rights. In order to prevent and mitigate human rights risks related to our business activities, we will take necessary measures, including ensuring compliance with the Compliance Manual (the Sumitomo Chemical Code of Business Conduct) and other relevant policies and guidelines. We are also committed to understanding our impact on local communities and aim for harmonious coexistence with these communities.

We expect our business partners, including our suppliers, and other relevant stakeholders to act in line with the principles in

this Policy, and we will seek ways to work with them to promote respect for human rights.

2. Our Approach to Human Rights Issues

(1) Providing Education and Raising Awareness

We will provide appropriate education and training to our Personnel so that this Policy is understood and effectively implemented.

(2) Human Rights Due Diligence

We will identify adverse human rights impacts, and seek to prevent or mitigate such impacts through our human rights due diligence framework.

(3) Responding to Identified Human Rights Impacts

We will engage with relevant stakeholders in order to address actual or potential adverse human rights impacts.

(4) Remedy

Where we identify that we have caused or contributed to adverse human rights impacts, we will endeavor to remediate such impacts through appropriate processes.

(5) Grievance Mechanisms

We have grievance mechanisms in place in the form of the Speak-Up Reporting System (whistle-blowing channels) in order to address concerns about activities that may adversely impact human rights or any other concerns raised about our business activities. These channels are available for anyone having involvement in Sumitomo Chemical Group’s business activities, including its business partners as well as Sumitomo Chemical Group Personnel and their families. We will continuously seek to optimize our grievance mechanisms.

(6) Disclosure

We will report on our efforts to respect human rights including through our website, integrated report, Sustainability Data Book, and other relevant channels.

Promotion System: Human Rights Promotion Committee

In order to fulfill its responsibility to respect human rights throughout the value chain, Sumitomo Chemical has established the Human Rights Promotion Committee as the organization to promote activities in accordance with its policies. Since this committee is an initiative that spans the entire value chain, the representatives from a wide range of relevant departments are called into the committee. The Executive Officer in charge of corporate sectors is the committee's Chairman, and the Executive Officers in charge of the Planning & Coordination Offices in each business sector participate as committee members to ensure the effectiveness of the committee.

Roles of the Committee

- (1) Promotion of Human Rights Awareness
- (2) Formulation and implementation of the following proposals regarding respect for human rights throughout the value chain of the entire Sumitomo Chemical Group:
 - Formulation and publication of policies required by the Guiding Principles on Business and Human Rights and relevant national laws
 - Identification of human rights issues by conducting risk assessment across the entire value chain; and taking appropriate actions including remedial measures that are commensurate with the specific issue or risk (human rights due diligence and remedy)

Human Rights Due Diligence and Remedy

The Sumitomo Chemical Group has established a human rights due diligence framework in accordance with the Guiding Principles on Business and Human Rights, in addition to its previous initiatives for CSR procurement, with the aim of ensuring respect for human rights through business activities. Human rights due diligence is a continuous effort to identify potential adverse human rights impacts throughout the value chain through our Group's business activities, to prevent and remediate such adverse impacts, and to disclose information on the details of responses and results to the public. The CSR Dept., Legal Dept., Procurement Dept., and Logistics Dept. are working together to

Overview of Human Rights Due Diligence Initiatives



Promotion System



ensure that the entire value chain is thoroughly checked under this human rights due diligence framework.

In fiscal 2019, in addition to previous initiatives, we plan to identify risks by establishing risk indicators based on the nature of our business and the regional characteristics of the Sumitomo Chemical Group's business activities and conducting investigations. In addition, we plan to identify risks through investigations involving external experts including additional on-site investigations when necessary. If, through this human rights due diligence process, it is determined that the Group's business activities are causing or contributing to adverse human rights impact, we will engage with relevant stakeholders and endeavor to rectify and remediate such impact through appropriate processes.

Human Resource Strategy

Contributing to the Sustainable Growth of the Sumitomo Chemical Group by Employing, Developing and Leveraging Human Resources.

'People' are a major source of corporate competitiveness, and securing highly motivated and capable personnel is the foundation of business operations.

In addition, our business environment has become more complex and sophisticated due to the recent expansion of our business domains and advances in technological innovation. In these circumstances, it has become extremely important to secure personnel with broad knowledge and diverse skills, and to focus on training so that employees can maximize their abilities.

Against this backdrop, the current Corporate Business Plan sets forth employing, developing and leveraging human resources to support sustainable development as one of its basic policies.

Based on this policy, we are strengthening our recruitment capabilities dramatically and effectively promoting the current personnel and training systems based on the basic philosophy of "development and growth." We are also working to create an environment in which diverse personnel can work healthily and energetically.



Hiroshi Niinuma

Director &
Senior Managing Executive Officer

Human Resource System

Sumitomo Chemical has introduced a human resource system in which employee treatment is based on the content of each person's work, the magnitude of their responsibilities, and the achievements they have accomplished, as well as the abilities and activities they displayed in the process. Through this system, employees with motivation and abilities are able to take on the challenge of a higher role as soon as possible, thereby fostering their willingness to grow voluntarily.

Career Development Field (CDF)

The company has established CDFs as categories according to the different careers that each employee desires, and we are systematically allocating and training employees based on their desired career direction. At the same time, employees themselves are also proactive in thinking about their careers, thereby further encouraging employees to develop and grow.

<Implementation of CDF> Incorporating Career Visions into the System

Field X	A career in which the employee takes on a specified role, while also working on tasks that support the maintenance and development of Sumitomo Chemical's business over the medium to long term.
Field Y	A career in which the employee works on tasks that contribute to the development of business as a professional, within a role with a defined scope.
Field Z	A career in which the employee works on a variety of tasks supporting things like the development of new technology and the increasing sophistication and complexity of business.

Careers for Specialists

The company has introduced a system that enables specialists with advanced expertise to further demonstrate their abilities and deliver results not only in conventional line job categories such as section managers and department managers, but also in increasingly complex areas such as business and research and development.

Careers for Specialists

Associates	Associates refers to those who have particularly outstanding expert knowledge or capabilities, who are hard to replace in specific fields, and who can be expected to continue to make significant contributions in their field using that expertise
Fellows	Fellows refers to those who, among the Sumitomo Chemical researchers who have produced particularly outstanding research results on the basis of their high-level expertise, and who are also recognized for their achievements outside the company, are expected to contribute significantly to the research activities of Sumitomo Chemical in the future

Human Resources Development

Based on the policy of developing human resources to support sustainable growth, Sumitomo Chemical is promoting various measures that contribute to the growth of each and every employee. As concrete measures for human resource development and education, the company is developing various educational programs based on an educational system organized from the perspectives of fostering awareness of the development of subordinates and their own growth awareness, strengthening the links between education and practical work, strengthening global human resource development measures, and fostering management personnel in digitalization. In addition, we provide IT literacy education to all employees to improve the productivity of each employee.

Diversity and Inclusion

Sumitomo Chemical has set forth diversity promotion as one of its seven material issues. As part of these efforts, Sumitomo Chemical is actively implementing measures that focus on promoting the activities of female employees, people with disabilities, and the elderly.

For female employees, we signed the Empowerment Principles for Women (WEPs), jointly prepared by the United Nations Global Compact and the UNWOMEN, and as numerical targets for our company, we have set forth the goals of having women make up at least 10% of employees in positions equivalent to managers or above, and of having 50% or more of male employees take childcare leave. We are promoting efforts to achieve these goals by establishing nursery centers and expanding and educating employees about childcare and nursing care-related systems.

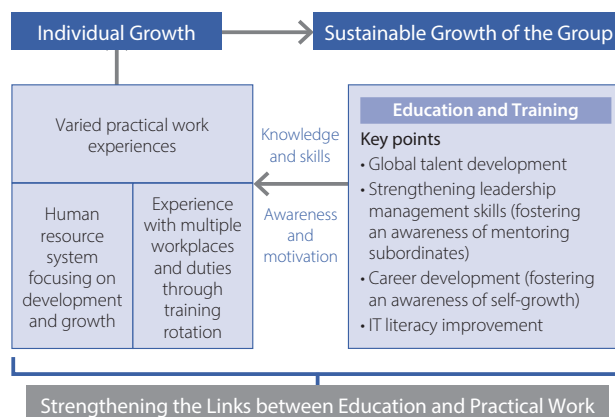
For persons with disabilities, Sumika Partners Co., Ltd., a special subsidiary, began operations in April 2018, and we are working to expand employment opportunities for persons with disabilities who are motivated to work, including four of our Group companies

Healthcare

In order to ensure that employees can live healthy lives both physically and mentally, and to enrich their lives, Sumitomo Chemical is promoting a variety of health maintenance and promotion measures, including medical staff providing health guidance for employees under the supervision of the company-wide General Industrial Physician. In collaboration with the Health Insurance Union, the company analyzes the results of regular health examinations and other information to determine trends in the health status of employees, and then formulates and implements measures, and evaluates the effectiveness of these measures. We also actively support health maintenance and improvement for employees working outside Japan by providing local medical consultations. In recognition of these initiatives, Sumitomo Chemical was certified as a Certified Health & Productivity Management Outstanding Organization in both 2018 and 2019.



Human Resource Development to Support Sustainable Growth



receiving special approval from affiliated companies as of June 2019.

For the elderly, by appropriately reflecting the motivation and abilities of each person, and by adopting a system that enables a variety of work styles, many employees are able to continue to work after reaching retirement age.

Achievements in Diversity and Inclusion (Non-consolidated)

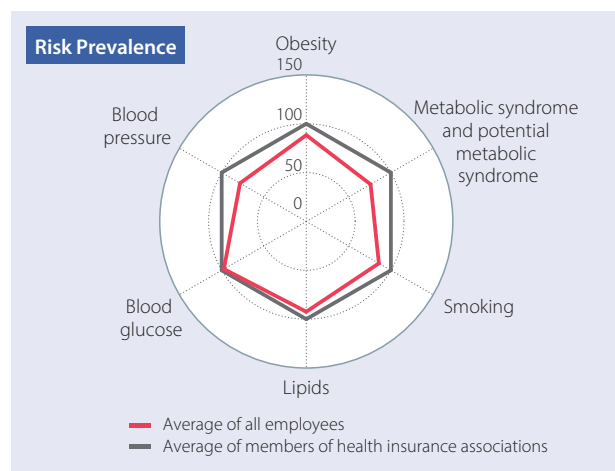
	Fiscal 2018	Fiscal 2019
Number of female managers *1	96	99
Percentage of female managers among managers (%) *1	5.1	5.2
Employment rate of people with disabilities (%) *2	2.24	2.41
Reemployment rate of retirees (%) *3	92.6	—

*1 Total number and percentage of employees in positions equivalent to managers or above. As of April 1 of that year

*2 As of June 1 of that year

*3 As of March 31 of that year

Analysis of the Results of Medical Examinations and Answers to Questionnaires (FY2017)



Environmental Protection / Product Stewardship, Product Safety, and Quality Assurance / Occupational Safety and Health, Industrial Safety and Disaster Prevention

Environmental Protection

Environmental Protection Activities Rooted in Local Communities

The Sumitomo Chemical Group has set common targets for environmental protection and is working to reduce environmental impact throughout the Group. Specifically, we have set targets in each field, such as protection of air and water environments, resource saving and waste reduction, appropriate management of chemical substances, preservation of biodiversity, and protection of the soil environment. We are working to enhance our efforts to achieve these goals at each business site. In the future, we will continue to focus on environmental protection activities rooted in local communities and strive to secure the trust of society, which is a major prerequisite for continuing our business.

Product Stewardship, Product Safety, and Quality Assurance

For the Safety and Peace of Mind of Our Customers

The Sumitomo Chemical Group estimates the degree of impact our chemical products have in terms of safety on people and the environment throughout their lifecycle, and promotes activities to protect people's health and the environment based on those risks. As part of its Eco-First Commitments, Sumitomo Chemical is currently carrying out risk assessments of the chemical substances that the company produces and offers for sale in quantities of 1 ton or more. The company is publishing the results of these assessments as safety summaries.* The company is reassessing whether the products it sells are of sufficient quality so that customers can use them safely, incorporating information from these assessments. Going forward, we will continue to thoroughly implement day-to-day management so that we can deliver products and services of such quality that customers around the world can use them with peace of mind.

* Documents that record safety information for chemical substances

Occupational Safety and Health, Industrial Safety and Disaster Prevention

Initiatives to Ensure Safety at All Group Workplaces

The Sumitomo Chemical Group aims to achieve zero labor accidents across all workplaces through safety measures. Specifically, we are striving to further improve safety activities through education and training for employees in accordance with the Group's common Safety Ground Rules, and through thorough safety management to minimize damage in the event of a large-scale earthquake. Through dialogue with local communities, we explain our efforts to ensure safety to our neighbors, thereby deepening mutual understanding.

Performance Targets and Results for FY2018 (Sumitomo Chemical's Non-consolidated Production Plants)

Target	Maintaining a 60% reduction in total emissions of substances subject to the PRTR* (emissions into the air and water) compared to fiscal 2008
Result	90.1% reduction compared to fiscal 2008

* Chemical Substances Control Promotion Law "PRTR: Pollutant Release and Transfer Register"

Target	Maintaining an 80% reduction in landfill volume of industrial waste compared to fiscal 2000
Result	84.0% reduction compared to fiscal 2000

➤ See the "Environmental Protection" chapter of the *Sustainability Data Book 2019*



Eco-First Commitments

Commitment Example	We will promote the management of chemical substances, using proprietary technology, and risk communications in an appropriate and proactive manner.
Performance Result	We have completed hazard assessments for all substances in our initial plan, and published safety summaries for 43 materials.

Since November 2008, Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment as the only Japanese diversified chemical company. We disclose the progress of these initiatives and regularly report them to the Ministry of the Environment.

➤ See the "Product Stewardship, Product Safety, and Quality Assurance" chapter of the *Sustainability Data Book 2019*

Status of Dialogues with Local Communities for FY2018 (Sumitomo Chemical's Non-consolidated Business Locations)

Number of Dialogues Held	42	Number of Participants	701
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A local dialogue



A tour of a plant

➤ See the "Occupational Safety and Health, Industrial Safety and Disaster Prevention" chapter of the *Sustainability Data Book 2019*

Dialogue with Shareholders and Investors

Basic Policy

Sumitomo Chemical provides planned, effective, and strategic communications with shareholders and other investors regarding our management policies, business strategies, and performance trends, so as to fulfill our accountability to shareholders and maintain and raise market confidence, while endeavoring to convey an accurate understanding of the company that will be reflected properly in the stock price and in higher corporate value.

Achievements

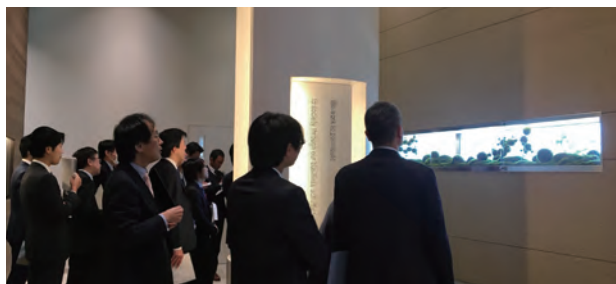
Every year, we hold a briefing session about current priority management issues and business strategy by the President, as well as individual business strategy briefing sessions by representative directors. In fiscal 2018, we explained the growth strategy for the agro solutions and environmental health business in the Health & Crop Sciences Sector. In terms of the tours of production facilities in Japan and overseas for institutional investors and analysts held every year, in fiscal 2018, we guided them to factories and research laboratories in Singapore and Osaka and let them see firsthand the front lines of our business sites.

Since fiscal 2016, we have arranged opportunities for directors who are in charge of a sector or head-office function to meet with investors and analysts and directly exchange views several times a year. Not only does management offer explanations, it also directly receives frank opinions from investors and analysts. This has led to constructive dialogues on our issues and the vision we should aim for, and mutual understanding is advancing year by year.

In fiscal 2018, we also increased the number of individual investors' meetings, and endeavored to further deepen individual investors' understanding of us.



FY2019-FY2021 Corporate Business Plan briefing in March 2019



A tour of the Osaka Area in March 2019

Summary of IR Activities (FY2018)

Briefing Sessions

	Times Held	Attendees
Current priority management issues and business strategy	2	214
Business Strategy	1	87
Corporate Business Plan	1	106
	Times Held	Attendees
Conference Calls (Financial results briefings, etc.)	5	506

Individual Meetings (Institutional Investors and Analysts)

Attendees

356*

* Including participants in the domestic and overseas conferences

Investors Visits

	Times Held
Overseas	35
Japan	6

Small Meetings

	Times Held	Attendees
Small meetings with the President	3	57
Small meetings with representative director of business sectors	4	91

Tours of Production Facilities for Institutional Investors and Analysts

Times Held	Attendees
2	38

Individual Investors' Meetings

Times Held	Attendees
12	approx. 640

Board of Directors and Corporate Auditors

(As of July 1, 2019)

In the career summary, “-” indicates their current positions in Sumitomo Chemical and important concurrent positions. Sumitomo Chemical shares held by directors are as of March 31, 2019. Attendance at Board of Directors or Board of Corporate Auditors meetings is for fiscal 2018.

Board of Directors



Masakazu Tokura

Chairman of the Board
Birth date: July 10, 1950

■ Number of shares held: 228 thousand
■ Attendance status
Board of Directors:
13/13 times (100%)

1974 Joined Sumitomo Chemical Co., Ltd.
1998 General Manager, Planning & Coordination Office, Fine Chemicals Sector
2000 General Manager, Corporate Planning & Coordination Office
2003 Executive Officer
2006 Managing Executive Officer
2008 Representative Director & Managing Executive Officer
2009 Representative Director & Senior Managing Executive Officer
2011 Representative Director & President
2019-Chairman of the Board



Keiichi Iwata

Representative Director & President
Birth date: October 11, 1957

■ Number of shares held: 89 thousand
■ Attendance status
Board of Directors:
10/10 times* (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2004 General Manager, Planning & Coordination Office, IT-related Chemicals Sector
2010 Executive Officer
2013 Managing Executive Officer
2018 Senior Managing Executive Officer
2018 Representative Director & Senior Managing Executive Officer
2019-Representative Director & President

* Number of Board of Directors meetings held after Mr. Iwata's appointment



Ray Nishimoto

Representative Director
Birth date: April 23, 1957

■ Number of shares held: 71 thousand
■ Attendance status
Board of Directors:
13/13 times (100%)

Health & Crop Sciences Sector
1980 Joined Sumitomo Chemical Co., Ltd.
2006 General Manager, Planning & Coordination Office, Agricultural Chemicals Sector
2009 Executive Officer
2011 Managing Executive Officer
2013 Representative Director & Managing Executive Officer
2015 Representative Director & Senior Managing Executive Officer
2019-Representative Director & Executive Vice President
2010-Chairman, Vector Health International Ltd.
2013-Chairman, Valent U.S.A. LLC
Chairman, Valent BioSciences LLC



Noriaki Takeshita

Representative Director
Birth date: July 23, 1958

■ Number of shares held: 54 thousand
■ Attendance status
Board of Directors:
13/13 times (100%)

Rabigh Project, Petrochemicals & Plastics Sector
1982 Joined Sumitomo Chemical Co., Ltd.
2005 Rabigh Refining and Petrochemical Company
2010 Executive Officer
2013 Managing Executive Officer
2017 Representative Director & Managing Executive Officer
2018-Representative Director & Senior Managing Executive Officer
2016-Deputy Chairman,
Rabigh Refining and Petrochemical Company



Masaki Matsui

Representative Director
Birth date: August 3, 1960

■ Number of shares held: 25 thousand
Newly appointed

IT-related Chemicals Sector, PLED Business Planning Office, Electronic Devices Development Center
1985 Joined Sumitomo Chemical Co., Ltd.
2011 General Manager, Planning & Coordination Office, IT-related Chemicals Sector
2013 Executive Officer
2017 Managing Executive Officer
2019-Representative Director & Managing Executive Officer
2017-Chairman, Sumika Technology Co., Ltd.



Kingo Akahori

Representative Director
Birth date: August 2, 1957

■ Number of shares held: 24 thousand
Newly appointed

Energy & Functional Materials Sector
1983 Joined Sumitomo Chemical Co., Ltd.
2009 General Manager, Battery Materials Division
2015 Associate Officer
2016 Executive Officer
2018 Managing Executive Officer
2019-Representative Director & Managing Executive Officer



Hiroshi Ueda

Director
Birth date: August 5, 1956

■ Number of shares held: 83 thousand
■ Attendance status
Board of Directors:
13/13 times (100%)

Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Intellectual Property, Responsible Care, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory
1982 Joined Sumitomo Chemical Co., Ltd.
2006 Director, Process & Production Technology Center
2008 Associate Officer
2009 Executive Officer
2011 Managing Executive Officer
2016 Senior Managing Executive Officer
2016 Representative Director & Senior Managing Executive Officer
2018 Director & Senior Managing Executive Officer
2019-Director & Executive Vice President



Hiroshi Niinuma

Director
Birth date: March 5, 1958

■ Number of shares held: 65 thousand
■ Attendance status
Board of Directors:
10/10 times* (100%)

General Affairs, Legal, CSR, Internal Control and Audit, Human Resources, Osaka Office Administration, Corporate Communications, Procurement, Logistics
1981 Joined Sumitomo Chemical Co., Ltd.
2009 General Manager, General Affairs Dept.
2010 Executive Officer
2013 Managing Executive Officer
2018 Senior Managing Executive Officer
2018-Director & Senior Managing Executive Officer
2017-Outside Director, Sumitomo Seika Chemicals Co., Ltd.

* Number of Board of Directors meetings held after Mr. Niinuma's appointment



Takashi Shigemori

Director
Birth date: October 3, 1958

■ Number of shares held: 11 thousand
Newly appointed

Corporate Business Development, Corporate Planning, IT Innovation, Accounting, Finance
1983 Joined Sumitomo Chemical Co., Ltd.
2010 Rabigh Refining and Petrochemical Company
2012 Executive Officer
2016 Managing Executive Officer
2019 Senior Managing Executive Officer
2019-Director & Senior Managing Executive Officer
2016-Director, Rabigh Refining and Petrochemical Company
2017-President, Japan-Singapore Petrochemicals Co., Ltd.

Outside Director



Koichi Ikeda

Director

Birth date: April 21, 1940

■ Number of shares held: 0
■ Attendance status
Board of Directors:
13/13 times (100%)

1963 Joined Asahi Breweries, Ltd.
2002 Representative Director & President & COO, Asahi Breweries, Ltd.
2006 Representative Director & Chairman & CEO, Asahi Breweries, Ltd.
2010 Advisor, Asahi Breweries, Ltd.
2011 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd.
2011-Advisor, Asahi Group Holdings, Ltd.
2015-Outside Director, Sumitomo Chemical Co., Ltd.



Hiroshi Tomono

Director

Birth date: July 13, 1945

■ Number of shares held: 0
■ Attendance status
Board of Directors:
12/13 times (92%)

1971 Joined Sumitomo Metal Industries, Ltd.
2005 Representative Director & President, Sumitomo Metal Industries, Ltd.
2012 Representative Director & President & COO, Nippon Steel & Sumitomo Metal Corporation
2014 Representative Director & Vice Chairman, Nippon Steel & Sumitomo Metal Corporation
2015 Director & Advisor, Nippon Steel & Sumitomo Metal Corporation
2015-Outside Director, Sumitomo Chemical Co., Ltd.
2015-Advisor, Nippon Steel & Sumitomo Metal Corporation (present Nippon Steel Corporation)
2016-Outside Director, Japan Nuclear Fuel Limited



Motoshige Itoh

Director

Birth date: December 19, 1951

■ Number of shares held: 0
■ Attendance status
Board of Directors:
10/10 times* (100%)

1993 Professor, Faculty of Economics, The University of Tokyo
1996 Professor, Graduate School of Economics, The University of Tokyo
2007 Dean, Graduate School of Economics, Faculty of Economics, The University of Tokyo
2015-Outside Director, East Japan Railway Company
2016-Professor, Faculty of International Social Sciences, Gakushuin University
2016-Outside Corporate Auditor, Hagoromo Foods Corporation
2018-Outside Director, The Shizuoka Bank, Ltd.
2018-Outside Director, Sumitomo Chemical Co., Ltd.

* Number of Board of Directors meetings held after Mr. Itoh's appointment



Atsuko Muraki

Director

Birth date: December 28, 1955

■ Number of shares held: 0
■ Attendance status
Board of Directors:
10/10 times* (100%)

1978 Joined Ministry of Labour (Currently Ministry of Health Labour and Welfare)
2005 Counsellor for Policy Evaluation, Minister's Secretariat of Ministry of Health Labour and Welfare
2006 Deputy Director-General, Equal Employment, Children and Families Bureau of Ministry of Health Labour and Welfare
2008 Director-General, Equal Employment, Children and Families Bureau of Ministry of Health Labour and Welfare
2010 Director-General for Policies on Cohesive Society, Cabinet Office
2012 Director-General, Social Welfare and War Victims' Relief Bureau of Ministry of Health Labour and Welfare
2013 Vice Minister, Health Labour and Welfare of Ministry of Health Labour and Welfare
2015 Retired from Ministry of Health Labour and Welfare
2016-Outside Director, ITOCHU Corporation
2018-Outside Director, Sumitomo Chemical Co., Ltd.
2019-Outside Director, Sompco Holdings, Inc.

* Number of Board of Directors meetings held after Ms. Muraki's appointment

Corporate Auditors



Kunio Nozaki

Standing Corporate Auditor

Birth date: October 29, 1956

■ Number of shares held: 78 thousand

Newly appointed

1979 Joined Sumitomo Chemical Co., Ltd.
2002 General Manager, Finance & Accounting Office
2007 Executive Officer
2009 Managing Executive Officer
2014 Senior Managing Executive Officer
2014 Representative Director & Senior Managing Executive Officer
2018 Director & Senior Managing Executive Officer
2019 Director
2019-Corporate Auditor



Hiroaki Yoshida

Standing Corporate Auditor

Birth date: March 2, 1956

■ Number of shares held: 11 thousand
■ Attendance status
Board of Directors: 13/13 times (100%)
Board of Corporate Auditors:
14/14 times (100%)

1980 Joined Sumitomo Chemical Co., Ltd.
2012 General Manager, Planning & Coordination Office, Rabigh Project & General Manager, Planning & Coordination Office, Petrochemicals & Plastics Sector
2015-Corporate Auditor

Outside Corporate Auditor



Mitsuhiro Aso

Corporate Auditor

Birth date: June 26, 1949

■ Number of shares held: 0
■ Attendance status
Board of Directors: 13/13 times (100%)
Board of Corporate Auditors:
14/14 times (100%)

1975 Prosecutor
2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office
2012 Retirement as Prosecutor
2012-Registration of Attorneys
2013-Outside Corporate Auditor, Sumitomo Chemical Co., Ltd.
2019-Outside Director, Sumitomo Mitsui Trust Holdings, Inc.



Yoshitaka Kato

Corporate Auditor

Birth date: September 17, 1951

■ Number of shares held: 0
■ Attendance status
Board of Directors: 12/13 times (92%)
Board of Corporate Auditors:
14/14 times (100%)

1978-Registered as a certified public accountant
2008 CEO of Ernst & Young ShinNihon LLC
2014 Left Ernst & Young ShinNihon LLC
2015-Outside Corporate Auditor, Sumitomo Chemical Co., Ltd.
2015-Outside Corporate Auditor, Mitsui Fudosan Co., Ltd.
2016-Outside Corporate Auditor, Sumitomo Corporation



Michio Yoneda

Corporate Auditor

Birth date: June 14, 1949

■ Number of shares held: 2 thousand
■ Attendance status
Board of Directors: 10/10 times* (100%)
Board of Corporate Auditors:
10/10 times (100%)

1973 Joined Bank of Japan
1998 General Manager, Sapporo Branch of Bank of Japan
2000 Resigned as General Manager, Sapporo Branch of Bank of Japan
2000 Executive Director, Osaka Securities Exchange (Currently Japan Exchange Group, Inc.)
2003 President & CEO, Osaka Securities Exchange Co., Ltd.
2013 Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.
2015 Resigned as Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc.
Resigned as Director, Tokyo Stock Exchange, Inc.
2016-Outside Director, Kawasaki Heavy Industries, Ltd.
2018-Outside Director, Asahi Broadcasting Group Holdings Corporation
2018-Outside Corporate Auditor, Sumitomo Chemical Co., Ltd.

* Number of Board of Directors and Corporate Auditors meetings held after Mr. Yoneda's appointment

Executive Officers

President

Keiichi Iwata

Executive Vice President

Ray Nishimoto

Health & Crop Sciences Sector

Hiroshi Ueda

Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Intellectual Property, Responsible Care, Industrial Technology & Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory

Senior Managing Executive Officer

Noriaki Takeshita

Rabigh Project,
Petrochemicals & Plastics Sector

Hiroshi Niinuma

General Affairs, Legal, CSR,
Internal Control and Audit, Human Resources,
Osaka Office Administration,
Corporate Communications, Procurement, Logistics

Takashi Shigemori

Corporate Business Development,
Corporate Planning, IT Innovation,
Accounting, Finance

Managing Executive Officer

Masaki Matsui

IT-related Chemicals Sector,
PLED Business Planning Office,
Electronic Devices Development Center

Kingo Akahori

Energy & Functional Materials Sector

Marc Vermeire

Sumitomo Chemical Europe S.A./N.V.,
Special mission related to
the Corporate Business Development Dept.
and the Corporate Planning Dept.

Kazuyuki Nuki

AgroSolutions Div. - Japan,
Environmental Health Div

Keiichi Sakata

Corporate Planning Dept.,
IT Innovation Dept.

Motoyuki Sakai

Sumitomo Chemical Asia Pte Ltd

Yoshiaki Oda

Corporate Business Development Dept.,
Intellectual Property Dept.

Nobuaki Mito

Health & Crop Sciences Sector
Planning & Coordination Office,
Pharmaceutical Chemicals Div.,
Health & Crop Sciences Research Laboratory

Soji Sakamoto

Basic Materials Div.,
Industrial Chemicals Div.,
Resin-related Business Development Dept.,
Polyolefins Div., Automotive Materials Div.

Yoshihiro Miyoshi

Digital and Data Science Innovation Dept.,
Process & Production Technology &
Safety Planning Dept., Production &
Safety Fundamental Technology Center,
Responsible Care Dept.

Executive Officer

Atsuko Hirooka

Environmental Health Div.,
Animal Nutrition Div.

Seiji Takeuchi

Rabigh Refining and Petrochemical Company

Andrew Lee

Valent U.S.A. LLC, Valent BioSciences LLC

Naoyuki Inoue

Rabigh Refining and Petrochemical Company

Yasuaki Sasaki

Inorganic Materials Div.,
Advanced Polymers Div.

Keigo Sasaki

Corporate Communications Dept.,
Accounting Dept., Finance Dept.

Kenji Ohno

General Affairs Dept., Legal Dept.,
CSR Dept., Internal Control and Audit Dept.

Shinichiro Nagata

Ehime Works

Yoshizumi Sasaki

Rabigh Refining and Petrochemical Company

Ichiro Kosaka

Energy & Functional Materials Sector
Planning & Coordination Office,
Specialty Chemicals Div.

Masaya Naito

Procurement Dept., Logistics Dept.

Takanari Yamaguchi

Optical Materials Div.

Akira Iwasaki

Energy & Functional Materials Sector
Planning & Coordination Office

Hirokazu Murata

Oita Works, Misawa Works

Isao Kurimoto

Research Planning and Coordination Dept.,
Digital and Data Science Innovation Dept.,
Industrial Technology & Research Laboratory,
Advanced Materials Development Laboratory,
PLED Business Planning Office

Koichi Ogino

Chiba Works

Kimitoshi Umeda

Health & Crop Sciences Sector Quality
Assurance Office, AgroSolutions Div.
– International

Inho Rha

Dongwoo Fine-Chem Co., Ltd

Akira Nakanishi

IT-related Chemicals Sector
Planning & Coordination Office

Masao Shimizu

Human Resources Dept.,
Osaka Office Administration Dept.

Corporate Governance

Corporate Governance Initiatives

Sumitomo Chemical has been committed to continual efforts to improve corporate governance. In response to demands for further raising the governance level, including application of the Corporate Governance Code, we are taking measures to achieve the optimal governing structure and decision-making processes, while remaining faithful to the intent and spirit of the Code.

Basic Stance

Sumitomo Chemical cherishes deeply the Sumitomo Spirit which has been passed down through generations over nearly 400 years, the basic teaching of which is, among others, not to seek its own interests alone, but to contribute to society through its business activities. In accord with this business credo, the company strives to take on challenges constantly of creating new value by capitalizing on its proprietary technologies toward achieving the company's sustained growth while at the same time cultivating corporate culture full of vigor and growing as a company that earns trust from the public at large. Recognizing that highly effective corporate governance is vital to attaining these ends, the company keeps working to further enhance its corporate governance in accordance with the following policies and principles, centering particularly on closer cooperation with shareholders and various other stakeholders, faster decision-making, proper oversight of business execution, enhanced systems of compliance and internal control, and active dialogue with stakeholders.

- Sumitomo Chemical not only shall respect the rights of shareholders, but shall endeavor to provide an environment where shareholders can exercise their rights smoothly and also to ensure the effectively equal treatment of shareholders.
- Recognizing that cooperation with various stakeholders, including employees, customers, business partners, creditors, and local communities, is essential to sustained growth, Sumitomo Chemical shall proactively work to fulfill its corporate social responsibility and strive to cultivate corporate culture of a company that can be trusted by society.
- As part of efforts to build a foundation for constructive dialogue with stakeholders, Sumitomo Chemical shall endeavor to provide information that is highly reliable and useful to recipients.
- Sumitomo Chemical's Board of Directors shall fulfill its role and mission properly, based on their fiduciary responsibilities and accountability to shareholders and recognizing the important role of Independent Outside Directors & Auditors, through such measures as presenting appropriate corporate management policies and business strategies that have taken into account changing socioeconomic conditions, and conducting highly effective oversight over the execution of business.
- Sumitomo Chemical shall endeavor to promote constructive dialogue with shareholders with the aim of seeking to attain the company's sustained growth and to enhance corporate value in the medium to long term.

Sumitomo Chemical has prepared Corporate Governance Guidelines. These Guidelines can be viewed on Sumitomo Chemical's website.
<https://www.sumitomo-chem.co.jp/english/company/governance.html>

Measures to Date for Strengthening Corporate Governance

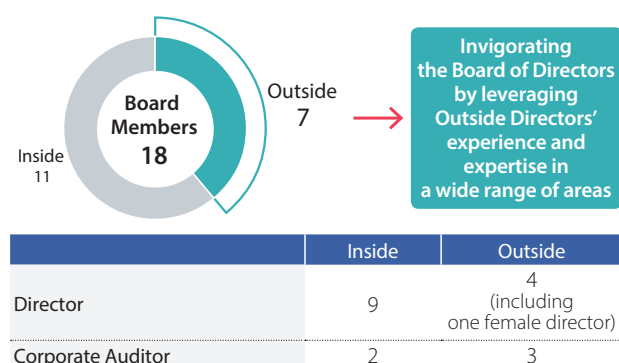
Date	Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003 June	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
July	Established Compliance Committee				●
2004 June	Eliminated system of retirement benefits for Directors and Corporate Auditors			●	
2007 May	Established Internal Control Committee				●
September	Established Remuneration Advisory Group			●	
2010 September	Established Nomination Advisory Group		●		
2011 November	Drew up standards for appointment of independent outside directors	●	●		
2012 June	Appointed 1 outside director	●			
2015 June	Selected 3 outside directors (increased by 2)	●			
October	Established Remuneration Advisory Committee in place of Remuneration Advisory Group			●	
	Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		
2016 December	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018 June	Selected 4 outside directors (including one woman) (increased by 1)	●			

Recent Initiatives to Strengthen Corporate Governance

Further Strengthening of the Board of Directors' Oversight and Advisory Functions

With the goal of further strengthening the Board of Directors' oversight and advisory functions to increase the transparency and objectivity of management, in June 2018 we added one outside director, increasing the total number to four (including one female director). As a result, of the 18 total members of the Board of Directors and the Board of Corporate Auditors, seven are outside members. Outside Directors have experience in a wide range of fields, including corporate management, economics, government, the legal profession, and accounting. We will continue to further revitalize the Board of Directors, leveraging these perspectives.

Board Composition (As of July 1, 2019)



Changes in the Operation of the Board of Directors

After the implementation of Japan's Corporate Governance Code, we changed the operation of the Board of Directors to place greater emphasis on deliberating management policies, business strategy, and important matters of business execution, and on oversight of that execution. Specifically, we are enhancing reporting on the status of business execution for each Executive Officer. Depending on the content of each report, we have established several reporting methods. For example, for large-scale projects, we share details with the Board of Directors at an early stage and discuss the direction of the projects. In this way, meaningful discussions are held that contribute to sustainable development and rapid and decisive decision-making.

Utilizing Outside Director Roles

To make maximum use of the oversight and advisory functions of the Outside Directors, it is essential to minimize asymmetries in information between inside and Outside Directors. The measures including those listed below have been implemented to revitalize board deliberation.

Measures to Make Maximum Use of Outside Director Functions

Specific Measures	Frequency	Description
Briefings prior to Board of Directors meetings	Every month	Outside Directors gather together in advance of Board of Directors meetings to receive a detailed briefing from the relevant departments, along with a Q&A session, on issues to be discussed at the Board of Directors meeting.
Reporting on issues discussed in internal meetings	Every month	Explanations are provided on the points of discussion at internal meetings, and on how the views expressed at the meetings are reflected in the proposal before the Board, for issues such as the launch of a business or an acquisition.
Reporting on important matters to the Board of Directors at an early stage	In each case	Important matters, such as management direction, M&A transactions, or large-scale projects, are reported to the Board of Directors at an early stage of consideration so that the Board's intentions can be reflected.
Outside Directors & Corporate Auditors meetings	Once a year	Based on such materials as the results of surveys on the effectiveness of the Board of Directors, meetings consisting of the Chairman of the Board, the President and the Outside Directors and Corporate Auditors are held to enable a frank exchange of views.
Meetings with Outside Directors and Corporate Auditors only*1	Twice a year	After Board of Directors meetings, meetings consisting of only Outside Directors and Corporate Auditors are held to exchange opinions freely.
Meetings between Outside Directors and Corporate Auditors and major sectors*1	Six times a year	After Board of Directors meetings, meetings are held between the executives and employees of the department in charge of the Rotation Report*2 for that Board of Directors meeting and the Outside Directors and Corporate Auditors, enabling them to exchange opinions freely and honestly.
Visits to production sites	Twice a year	Visits are made to our production sites both inside and outside Japan.

*1 Beginning in FY2019

*2 Rotation Report: Comprehensive and systematic reporting over a significant amount of time for each sector.

Assessing the Effectiveness of the Board of Directors

Assessment Method

Sumitomo Chemical's Board of Directors carries out analyses and appraisals regarding the effectiveness of the Board of Directors through exchanges of opinions at meetings attended by Outside Directors, Outside Corporate Auditors, the Chairman of the Board, and the President, as well as at Management Meetings attended by inside directors, while taking into account survey results from all Directors and Corporate Auditors and opinions expressed by the Board of Corporate Auditors. Based on these opinions, the Board of Directors works to improve its effectiveness every year.

Assessment for Fiscal 2018 and Improvements over the Previous Fiscal Year

The effectiveness of the Board of Directors is assessed from a variety of perspectives, including its composition, its operation, the deliberations and reporting at the Board of Directors meetings, its oversight of business execution, and the operations of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee. At the end of fiscal 2018, we confirmed that improvements were steadily being made each year, and that the level was generally favorable. We also confirmed that we will continue various initiatives aimed at increasing corporate value going forward.

Initiatives Addressing Areas for Improvement from the Previous Fiscal Year

- Strengthening supervision through reporting and discussions on important matters relating to Group companies
- Holding discussions on long-term strategies throughout the drafting of the new Corporate Business Plan
- Further sharing of internal discussions with Outside Directors and Corporate Auditors

Toward the Future

We will again discuss the roles of inside and Outside Directors and Corporate Auditors and take the following measures. In order to further revitalize the activity of the Board of Directors, we will allot more time for Board of Directors meetings to allow more room for discussion, provide detailed explanations of the background of internal discussions on deliberations and other matters, and further clarify the points of discussion in the explanations. In order for Outside Directors and Corporate Auditors to properly fulfill their roles and duties, we will also provide meetings consisting solely of independent Outside Directors and Corporate Auditors and forums where they can frankly exchange their opinions with a wide range of employees.

Visit to Production Sites by Outside Directors and Corporate Auditors

In order for Outside Directors and Corporate Auditors to improve their understanding of our business, Sumitomo Chemical provides them with opportunities to visit our production sites both inside and outside Japan each year. In fiscal 2018, they visited the Ehime Works and a Group company in Saudi Arabia. They have expressed the opinion that this initiative is extremely valuable, enabling them to get a deeper understanding of our business.

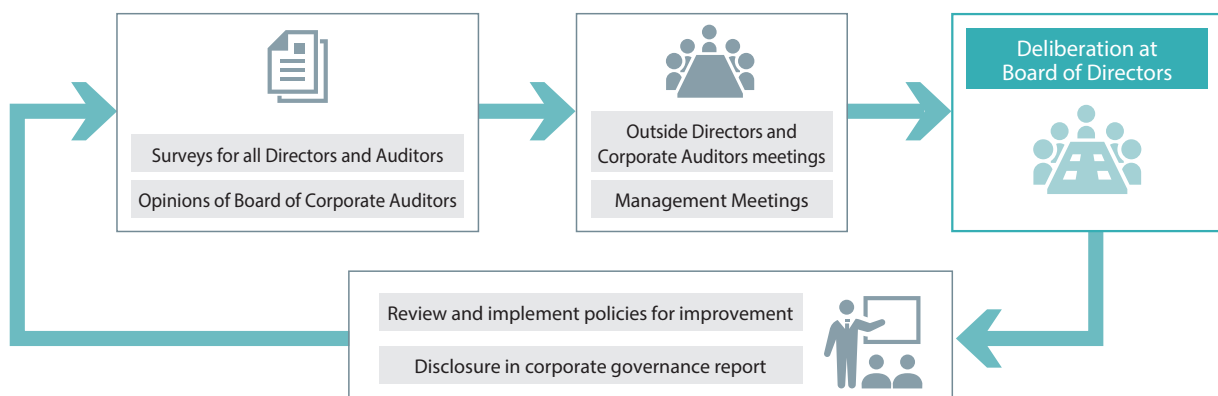


Visit to Ehime Works in September 2018



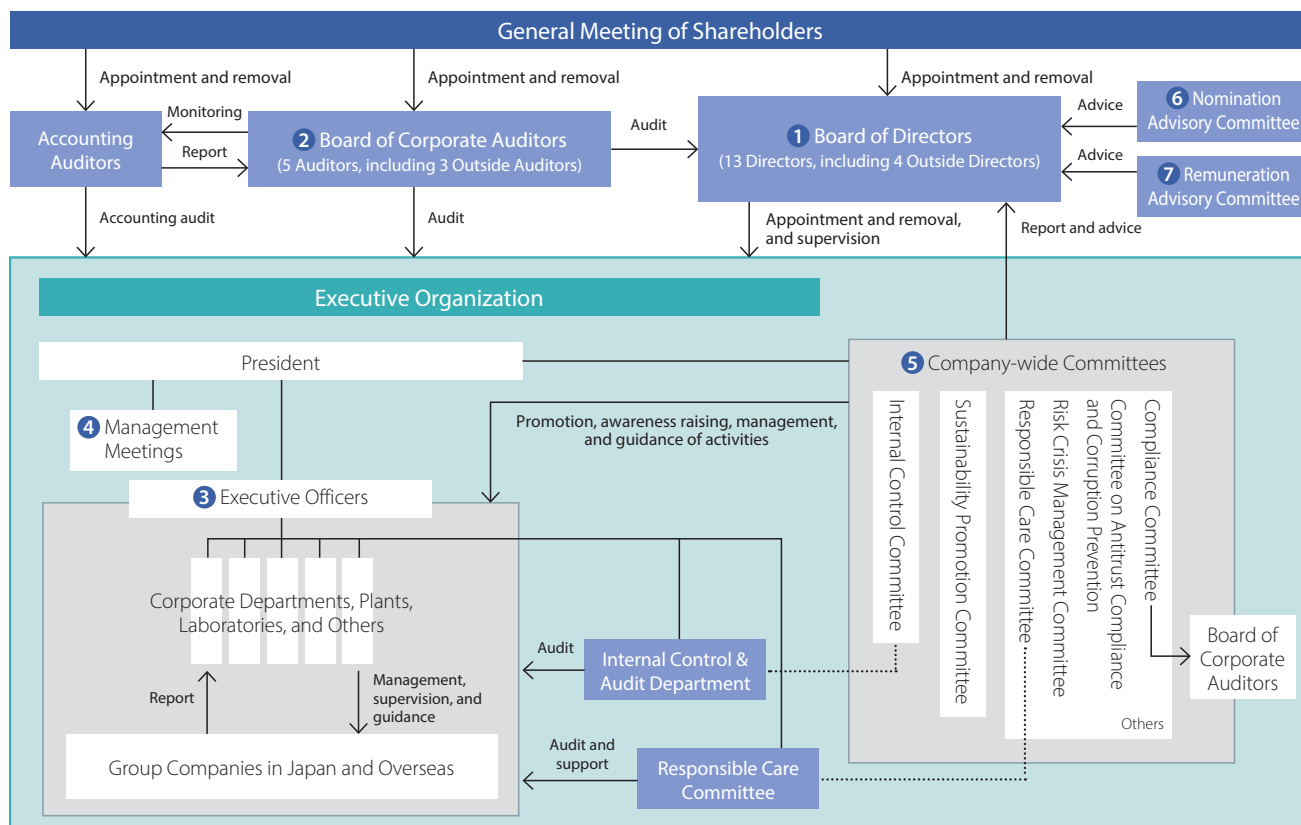
Visit to a Group company in Saudi Arabia in February 2019

PDCA Cycle for Further Improving the Effectiveness of the Board of Directors



Current Corporate Governance Organization

Corporate Governance Organization (As of July 1, 2019)



Organizational Structure

1 Board of Directors

The Sumitomo Chemical Board of Directors decides important matters concerning the company's management, including management policy and business strategies, in accordance with the law, the Articles of Incorporation, and the Board of Directors' own rules. It also receives reports from Directors and others on the performance of duties, financial situation, and operating results, and oversees the performance of duties by each Director.

To ensure the effectiveness of the Board of Directors, assessments and analyses are conducted annually and the results are followed up on in subsequent meetings. In accordance with the Nomination Advisory Committee's advice, candidates for Director are nominated by the Board of Directors and are elected once a year at the General Meeting of Shareholders.

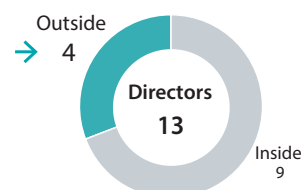
Overview of the Board of Directors

Chairperson	Chairman of the Board	The Chairman of the Board does not concurrently serve as Executive Officer.
Number of Persons	13	
Frequency	Monthly in principle	Special meetings of the Board of Directors are convened as needed.
The Term of Office of Directors	One year	The term of office of Directors is one year, in order to establish clear administrative responsibility and roles for Directors.

Breakdown of 13 Directors

	Male	Female	Total
Inside	9	0	9
Outside*	3	1	4
Total	12	1	13

* Independent Outside Directors having no conflicts of interest with general shareholders



2 Board of Corporate Auditors

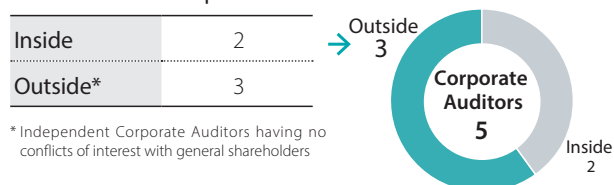
We have a Corporate Auditor system, with a Board of Corporate Auditors consisting of five Corporate Auditors, including three Outside Corporate Auditors. The Corporate Auditors and the Board of Corporate Auditors play a vital role in our corporate governance by auditing the performance of duties by Directors in accordance with the law and the Articles of Incorporation. The Board of Corporate Auditors meets monthly as a rule and strives to obtain timely information, including important compliance-related information.

Standing Corporate Auditors and Outside Auditors attend meetings of the Board of Directors and the Board of Corporate Auditors. In conducting their audits, they receive reports and explanations as needed from the Internal Control & Audit Department, operating divisions, and accounting auditors. In addition, Standing Corporate Auditors attend meetings of the Internal Control Committee and other important company meetings.

The results of audits and the objective views of Outside Auditors are appropriately reflected in internal audits, corporate auditors' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing.

The Corporate Auditors' Office has been established with staff dedicated to providing assistance in auditing functions under the direction of Corporate Auditors.

Breakdown of 5 Corporate Auditors



Management Organizations for Decision-making, Execution, and Auditing

3 Executive Officers

We have appointed Executive Officers to expedite the implementation of business operations. Executive Officers are responsible for carrying out operations in accordance with the policies adopted by the Board of Directors. The term of office for Executive Officers is one year.

Breakdown of 36 Directors

	Male	Female	Total
Japanese	32	1	33
Non-Japanese	3	0	3
Total	35	1	36

4 Management Meetings

Management Meetings support the decision-making of our management by providing a forum for deliberation on such vital matters as corporate strategy and capital investment, including matters to be deliberated in the Board of Directors and reports to be made to the Board. Management Meetings consist of the Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditor, and the Chairman of the Board. In principle, the meetings are held 24 times a year.

5 Committees

We have established internal meetings (committees) to deliberate on important matters concerning the management of the company, and the Group from a broad and diverse range of viewpoints. The content of these meetings is reported to the Board of Directors as needed, and the committees receive instructions from the Board of Directors in an effort to enhance business execution and oversight functions. Several of these committees are attended by the Standing Corporate Auditor, who serves as an observer, including the Internal Control Committee, the Compliance Committee, and the Responsible Care Committee.

We regard the promotion of sustainability as a core issue for the entire Group. In 2018, we expanded the CSR Promotion Committee and established a new Sustainability Promotion Committee to further strengthen our sustainability initiatives. The Responsible Care Committee also examines specific measures to address climate change and other environmental issues.

Name	Purpose	Number of Meetings in Fiscal 2018
Internal Control Committee	Deliberates on measures to build and improve a proper internal control system	3
Sustainability Promotion Committee	Comprehensively reviews the Group's sustainability promotion activities and examines the Group's contributions to sustainability at a high level, with the aim of accelerating the Group's efforts to solve societal issues, such as the SDGs.	2
Responsible Care Committee	Deliberates on annual policies, Corporate Business Plans, and specific measures, and analyzes and evaluates the results of measures to address climate change and other environmental issues.	1
Risk and Crisis Management Committee	Deliberates on policies for specific risks and crises, such as earthquakes, wind and flood damage caused by extreme weather, pandemics, and breakdowns in public security.	1*
Compliance Committee	Deliberates on the Group's compliance policies and action plans, and the status of the operation of the compliance system, including responses to internal reports and the results of activities.	1

* Subcommittee meetings on specific key themes

Executive Nomination and Remuneration

⑥ Nomination Advisory Committee

The Nomination Advisory Committee was established in October 2015 to act as an advisory body to the Board of Directors on the selection of top management and on the appointment of directors and auditors. The committee is made up of Outside Directors and Sumitomo Chemical representative directors. Regular meetings are held annually and ad hoc meetings are convened as needed. With a majority of members being Outside Directors, the committee advises the Board of Directors on the appointment of officers, with the purpose of ensuring more transparency, fairness, and openness in the process of appointing officers and bringing greater clarity to the process.

⑦ Remuneration Advisory Committee

The Remuneration Advisory Committee was established in October 2015, as an advisory body to the Board of Directors on the remuneration system, remuneration levels, and other related matters, for top management and Directors. The committee is made up of Outside Directors and Sumitomo Chemical representative directors. It holds regular meetings annually and convenes ad hoc meetings as needed. With a majority of members being Outside Directors, the committee advises the Board of Directors in deciding the executive officer remuneration system and levels, in order to achieve greater transparency, fairness, and openness.

Directors' and Corporate Auditors' Remuneration in Fiscal 2018

(Millions of yen)

Title	Total	Breakdown of Remuneration		Number of people
		Basic Remuneration	Bonuses	
Directors (excluding Outside Directors)	¥728	¥553	¥175	10
Standing Corporate Auditors	¥ 78	¥ 78	¥ —	2
Outside Directors and Corporate Auditors	¥108	¥ 93	¥ 14	9

Composition of the Nomination Advisory Committee and the Remuneration Advisory Committee and Attendance Status (Meetings Attended / Meetings Held)

		Nomination Advisory Committee	Remuneration Advisory Committee	The Committee Members of the Nomination Advisory Committee and the Remuneration Advisory Committee in Fiscal 2019	
Chairman of the Board	Osamu Ishitobi (Chairman)	5/5 times (100%)	2/2 times (100%)	Chairman of the Board	Masakazu Tokura (Chairman)
Representative Director & President	Masakazu Tokura	5/5 times (100%)	2/2 times (100%)	Representative Director & President	Keiichi Iwata
Outside Director	Koichi Ikeda	5/5 times (100%)	2/2 times (100%)	Outside Director	Koichi Ikeda
Outside Director	Hiroshi Tomono	5/5 times (100%)	2/2 times (100%)	Outside Director	Hiroshi Tomono
Outside Director	Motoshige Itoh	5/5 times (100%)	2/2 times (100%)	Outside Director	Motoshige Itoh
Outside Director	Atsuko Muraki	5/5 times (100%)	2/2 times (100%)	Outside Director	Atsuko Muraki

Major Activities in the Nomination Advisory Committee and the Remuneration Advisory Committee in Fiscal 2018

Nomination Advisory Committee	<ul style="list-style-type: none"> Discussions on candidates to be the next President Discussions on officers for fiscal 2019 Discussions on the Counselor system
Remuneration Advisory Committee	<ul style="list-style-type: none"> Discussions on revising the policy for determining the remuneration of executive officers Discussions on how basic remuneration should change Discussions on basic remuneration for fiscal 2018 Discussion on the calculation method for the bonuses of officers upon adoption of IFRS Discussions on the payment of bonuses to officers for fiscal 2018

Policies and Procedures for Determining Remuneration of Senior Management and Directors

1. Basic Policy for Remuneration of Directors, etc.

- (1) The remuneration of senior management and directors (hereinafter "Directors etc.") shall consist of basic compensation and bonuses.
- (2) Basic compensation is designed to serve as an incentive for the actions of Directors, etc. to contribute to the company's sustainable growth, rather than aiming for short-term or sub-optimal effects.
- (3) The scale of bonuses shall largely reflect the company's consolidated financial results for a fiscal year in order to heighten incentives to achieve the annual targets of business plans.
- (4) Remuneration shall be set at levels which are designed to be objectively competitive to attract and retain outstanding talent while taking into consideration such factors as the scale and content of the company's business. Based on surveys by a third-party organization and other materials, such levels shall be checked annually for objective appropriateness.

2. Mechanisms of Each Remuneration Element

(1) Basic Compensation

The level of basic compensation shall be determined based on the policy described in section 1 (4) above.

While basic compensation for each year shall be fixed, the company will adopt a mechanism whereby basic compensation levels would be changed in the event that the company's position has changed, in terms of the company's size, earnings capacity, and outside evaluations, from a comprehensive and medium- to long-term perspective.

As main indicators for determining whether there has been a change in the company position, the company will apply the following: ① in terms of the company's size, sales revenue, total assets and market capitalization, ② in terms of earnings capacity, net income (attributable to the parent company), ROE, ROI and D/E ratio, and ③ in terms of outside evaluations, credit ratings and the ESG index selected by the GPIF (Government Pension Investment Fund).

The amounts to be paid to each person will be determined in accordance with the base amount set for each position.

(2) Bonuses

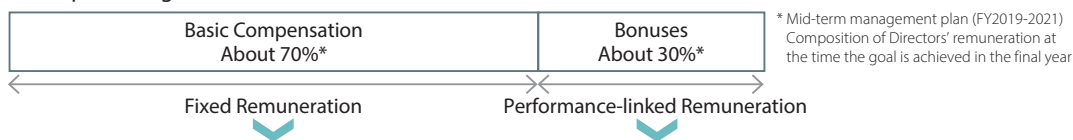
Bonuses shall be paid on the condition that performance for that fiscal year exceeds a particular level and shall be determined based on the bonus calculation formula (performance indicator x coefficient).

In order to reflect the current earnings capacity of the relevant business year (including financial activities) in the value of bonuses, the company will use the combined value of consolidated core operating profit and financial profit and loss as the performance indicator in the bonus calculation formula. In addition, the company will set the coefficient of the calculation formula so that it will get larger as the position of a person gets higher.

(3) Percentages of Fixed Remuneration (Basic Compensation) and Performance-linked Remuneration (Bonuses)

The company will set the bonus calculation formula such that the bonuses of Directors (excluding Outside Directors) accounts for roughly 30% of total remuneration when the consolidated performance goal (core operating profit) for the latest fiscal year of the Corporate Business Plan (fiscal years 2019 to 2021) is achieved.

Conceptual Diagram of the Remuneration of Directors



Based on the factors for determination described below, the company will change the amount of remuneration when it is determinable that the company's position has changed from a comprehensive and medium- to long-term perspective.

Factors for Determination	Major Indicators
Company's size	Sales revenue
	Total assets
	Market capitalization
Earnings capacity	Current income (belonging to the parent company)
	ROE
	ROI
	D/E ratio
Outside evaluations	Credit ratings
	ESG index selected by GPIF

* The amount to be paid to each person will be determined by each position.

The amount of bonuses will be determined by the calculation formula based on the following consolidated performance indicator.

Consolidated performance indicator	Core operating profit plus financial profit and loss
Calculation formula	$\frac{\text{Consolidated performance indicator}}{\text{Coefficient}^{*1}}$

*1 The Company will arrange so that the higher the position, the larger the coefficient will be.

*2 If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.

3. Procedures for determining remuneration of Directors, etc.

The remuneration amount of Directors shall be set at a level not higher than the upper limit for total remuneration prescribed by the resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e. 1 billion yen or less per year). Furthermore, the specific amount of remuneration

for each Director or other officer shall be determined by the Chairman of the Board, as authorized by the Board of Directors, based on the standard advised by the Remuneration Advisory Committee.

Visit our website for details on the Basic Policy for the Enhancement of the Internal Control System.
<https://www.sumitomo-chem.co.jp/english/company/governance/>

Internal Control

Status of Development of Internal Control System

Sumitomo Chemical established its Basic Policy for the Enhancement of the Internal Control System by a resolution of the Board of Directors, creating a system to ensure the appropriateness of its operations as stipulated in the Companies Act.

As stated in the basic concept of this policy, we recognize that the development of an internal control system is a necessary process for maintaining a sound organization and should be actively utilized to achieve business objectives. To continuously enhance our internal control system, we have formed the Internal Control Committee, which is chaired by the President and consists of Executive Officers responsible for and in charge of each business sector and corporate department. Meetings of the committee are held three times a year, with additional meetings held as needed.

At Sumitomo Chemical, the Internal Control Committee plays a central role in discussing various measures based on the basic policy described above. The committee also operates a PDCA cycle by monitoring the implementation status of those measures, and constantly inspects and strengthens the Group's internal control system in response to changes in the Group's business and operating environment, ensuring that the Group's internal control system can function effectively.

The Standing Corporate Auditors are involved in the committee as observers, and the committee's operations are conducted by the Internal Control & Audit Department, which is separated from other business activities. Summaries of the matters covered in the committee are reported to the Board of Corporate Auditors after each meeting. These summaries are then reported to the Board of Directors for deliberation.

Timely Disclosure

The Corporate Communications Department is in charge of working in conjunction with other relevant departments to continually disclose necessary information in a timely manner. In addition to items requiring disclosure under Japan's Financial Instruments and Exchange Act and under stock exchange regulations, we also actively disclose information that may be considered material to the decisions of investors.

We endeavor to build stronger relationships of trust with society and capital markets by publishing documentation in accordance with the rules stipulated by the security exchanges in Japan, including reports on the company's corporate governance philosophy and system, and notifications showing that Outside Directors and Corporate Auditors have no existing conflicts of interest with general shareholders. These documents are available on the website of Japan Exchange Group Inc.

Internal Audits

As part of its internal control monitoring activities, Sumitomo Chemical has established a dedicated organization within the company to conduct internal audits, in addition to audits by the Corporate Auditor and Financial Statement auditors. The Internal Control & Audit Department conducts internal audits for all matters related to the execution of operations by the company and its Group companies, and dedicated audit teams for the Responsible Care Department conduct Responsible Care auditing from the perspective of safety, environment, and quality throughout the life cycle of chemical products. Internal audits and Responsible Care audits are coordinated with each other as needed.

1 Internal Audits

The Internal Control & Audit Department organizes teams of several employees who conduct internal audits on Sumitomo Chemical and its major Group companies once every two to five years from the following perspectives: (1) effective and efficient operations; (2) reliability of financial reporting; and (3) compliance with relevant laws and statutes in all business activities.

The department also reports the results of internal audits to the Internal Audit Liaison Meeting, which is held on a quarterly basis and is attended by the Standing Corporate Auditors and a number of departments, including the Legal Department, the Human Resources Department, and the planning & coordination office of each business sector. The department also reports to the Internal Control Committee once every six months in order to share issues and to promote the lateral deployment of measures. In addition, in accordance with the Financial Instruments and Exchange Act, the department evaluates the effectiveness of internal control over the Sumitomo Chemical Group's financial reporting, and also reports on the status of its evaluations to the Internal Control Committee.

2 Responsible Care Audits

The Responsible Care Department organizes teams of dedicated employees to conduct responsible care audits on each of our business sites and on major Group companies every one to three years, in principle, from the following perspectives: ensuring safety, environmental protection, and health throughout the entire life cycle of chemical products, as well as determining whether internal controls related to maintaining and improving quality are in place and functioning properly.

Through these audits, we are striving to support the improvement of Responsible Care management in accordance with the size, type of business, and characteristics of each business site and Group company. Issues discovered during the audit and the progress of improvements are reported internally every time and to the Responsible Care Committee when it meets once a year.

Visit our website for details on business risk.

https://www.sumitomo-chem.co.jp/english/ir/policy/risk_factors.html

Risk Management

Sumitomo Chemical seeks to improve and enhance our risk management system to detect, at an early stage, risks that have the possibility of hindering the achievement of business objectives and to prevent them from occurring as well as to minimize damage when they do occur.

Risk Management Organization

As part of its standard duties, each of the Group's organizations is taking various measures to appropriately manage the risks associated with its business operations. In addition, the Internal Control Committee deliberates on Group-wide priority risk management policy as a basis for supporting and ensuring thorough implementation of these measures by each organization. Moreover, the committee oversees the implementation of measures undertaken by each organization based on this policy.

Promotion of Group-wide Priority Risk Assessment and Countermeasures

Every year, approximately 120 major organizations, both in Sumitomo Chemical and Group companies in Japan and overseas, conduct risk evaluations, assessing the probability of occurrence and the potential impact of various risks that could hinder the achievement of business objectives. These results are then aggregated to create a Group-wide priority risk map. Based on this risk map, the Internal Control Committee identifies priority risks that require Group-wide countermeasures. In addition, our risk response coordination organizations, which have been established for each priority risk, formulate a response plan for the entire Group, and each organization of the Group implements countermeasures in accordance with this plan. Moreover, the committee regularly receives reports on the progress of countermeasures and provides necessary instructions.

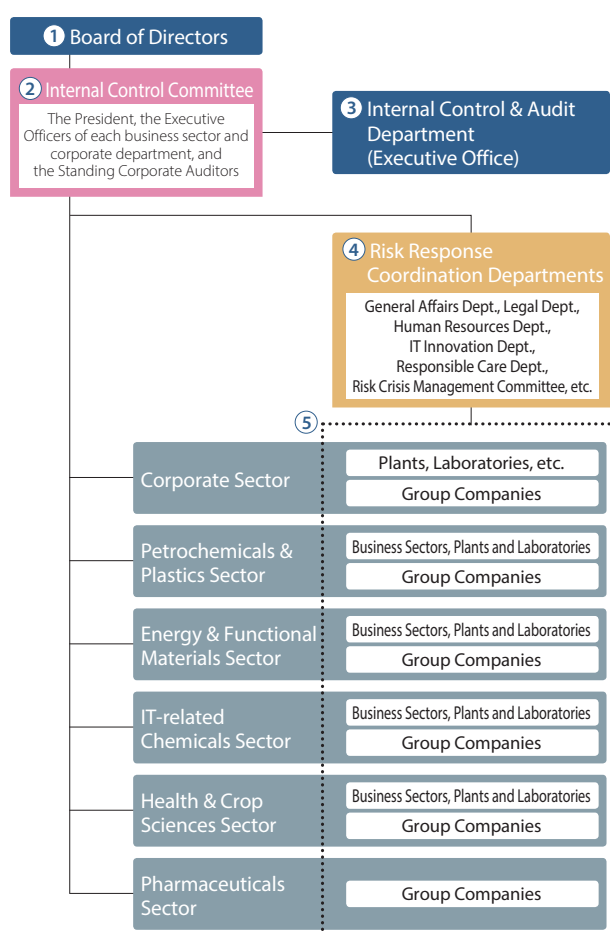
To Review and Strengthen the Effectiveness of Risk Management

In this way, we conduct a PDCA cycle for risk management every fiscal year, centered on the Internal Control Committee. In doing so, we are constantly inspecting and strengthening risk management in response to changes in our business and the surrounding environment so that risk management functions effectively. Summaries of the matters covered in the committee are reported to the Board of Corporate Auditors after each meeting. These summaries are then reported to the Board of Directors for deliberation.

Cross-organizational Risks and Crisis Response

We established the Risk and Crisis Management Committee to deliberate risks and crisis response policies that affect multiple business sites, departments, and Group companies, such as large-scale disasters (earthquakes, storms, floods, etc.), pandemics, deterioration of security in Japan or overseas (terrorism, riots, wars, etc.), and other issues.

Risk Management Promotion Organization



① Board of Directors

- The Board ensures the effectiveness of risk management by deliberating and supervising the activities of the Internal Control Committee.

② Internal Control Committee (Chaired by the President)

- The committee deliberates on policies related to risk management for the entire Sumitomo Chemical Group, and supervises the efforts of each organization based on these policies.

③ Internal Control & Audit Department

- As the executive office of the Internal Control Committee, this department monitors the risk management activities of each department and Group company of the Sumitomo Chemical Group.

④ Risk Response Coordination Departments

- Each organization plans and promotes Group-wide countermeasures for the risks assigned to it, in cooperation with each department and Group company.

⑤ Each Department and Group Company

- These organizations are the main drivers of risk management.
- The organizations develop and implement countermeasures for the risks affecting their own organization or company.

Compliance

Basic Policy

The Sumitomo Chemical Group places compliance at the bedrock of its corporate management. As we engage in business in many parts of the world, all of the companies in the Sumitomo Chemical Group are devoting earnest efforts to stay in strict compliance with not only laws and regulations, but also ethical principles in a business environment. Both the spirit and the letter of ensuring compliance in business activities have consistently been enshrined at Sumitomo Chemical ever since the company was founded. This unwavering resolve towards compliance is embodied succinctly in the “Sumitomo Chemical Charter for Business Conduct,” which serves as the guideline of conduct for every employee to abide by and constitutes the backbone of our day-to-day compliance activities. In recent years, in particular, companies are expected to fulfill their societal responsibilities more than ever before. Given the circumstances, all companies in the Sumitomo Chemical Group are making concerted efforts to further compliance activities, under the strong leadership of top management, to further enhance compliance in the Group’s business activities on a global basis.

Compliance System at the Sumitomo Chemical Group

(1) Compliance Committee

Sumitomo Chemical has established a Compliance Committee chaired by the President and holds a Compliance Committee meeting at least once a year (or more frequently as needed). Details discussed by the committee are reported to Board of Directors and Board of Corporate Auditors, and the committee then receives feedback from them. The committee establishes overarching principles of compliance from a global perspective, and then works with each business sector and Group company, both in Japan and abroad, to build and operate their compliance systems locally in the required manner, according to those global principles.

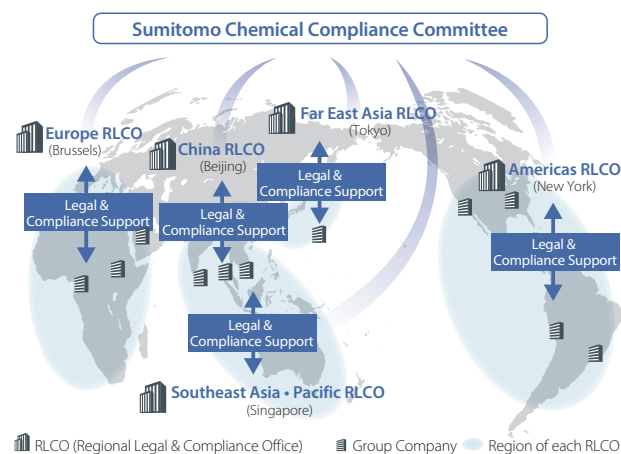
(2) Group Compliance Structure

Focused on Effectiveness

(Think globally, Manage regionally, Act locally)

As business globalizes, it becomes more important that the operation of a corporation’s compliance system be fine-tuned to situations specific to individual countries or companies. In light of this, we have established Regional Legal & Compliance Offices (RLCOs) in Sumitomo Chemical’s major business regions. The RLCOs, grasping the concrete needs and tasks of their respective Group companies, provide hands-on support and guidance to them, such as helping to set and implement necessary internal rules and procedures, building a company’s compliance system, and assisting in its operations.

Compliance System at Sumitomo Chemical Group



(3) Introducing and Operating a Compliance System for the Company and its Group Companies

To ensure thorough compliance throughout the entire Sumitomo Chemical Group, it is important that Sumitomo Chemical and its Group companies establish and operate their own compliance systems. Sumitomo Chemical and its Group companies are engaged in the following activities.

- ① Establishing and operating the Compliance Committee (including responding to internal reports and conducting compliance violation investigations)
- ② Introducing and regularly reviewing the Code of Ethics
- ③ Introducing and operating the Internal Reporting system (the Speak-Up Reporting System)
- ④ Conducting compliance activities (education, training, etc.) based on a compliance risk assessment of each Group company

(4) Internal Reporting System (Speak-Up Reporting System)

In order to detect any compliance violations as early as possible or to prevent them from occurring in the future, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up Reporting System) that allows management executives or company employees (including contract employees), or their family members, management executives or employees of Group companies, or their family members, or anyone involved in Sumitomo Chemical’s businesses (trading partners and others) to report a compliance violation or a suspected violation directly to the Compliance Committee or to external lawyers, either by name or anonymously. An investigation based on an Internal Report is carried out with utmost consideration to protecting the privacy of the person reporting and maintaining confidentiality of the information provided, and maximum care is taken to ensure that a person who has made a report will never be put at any disadvantage on the grounds of having made the report, including dismissal, transfer, or discrimination. In addition, we clearly state the above in our company rules. The entire Sumitomo Chemical Group is promoting the use of the Internal Reporting System. As a result, the number of the reports for the entire Sumitomo Chemical Group in fiscal 2018 increased by 51 from the previous year, to 149. Reports and compliance violations are reported to the Board of Corporate Auditors on a regular basis.

* Detailed compliance initiatives are elaborated in the *Sustainability Data Book 2019*.

Anti-corruption

Basic Policy

As corporations expand activities across national boundaries, promoting fair competition becomes increasingly important in the supply of goods and services in the international marketplace. As is evident from the ever tightening laws and regulations in the world designed to prevent corruption, such as the FCPA in the U.S. and the Bribery Act of 2010 in the U.K., there is a growing awareness globally that corrupt conduct, such as bribery, should be eliminated by any means necessary. Under the circumstances, Sumitomo Chemical has positioned the prevention of corruption in all its forms, including bribery of public officials, excessive business entertainment and gift-giving, collusion, embezzlement, and breaches of trust as one of the most important issues in ensuring thorough compliance. We are striving to ensure a sustainable and sound corporate climate by enhancing our internal organization to appropriately respond to corruption risks to prevent the occurrence of corruption.

Committee on Antitrust Compliance and Corruption Prevention

In 2012, we established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage anti-corruption systems for Group companies in Japan and overseas under the guidance and supervision of the Board of Directors and Board of Corporate Auditors.

In the President's own messages, the committee states its policy and commitment to prohibit all forms of corruption, including bribery of public officials by management executives or employees, excessive entertainment and gift-giving, collusion, embezzlement, and breaches of trust. In addition, we have formulated a corruption prevention manual that contains detailed anti-corruption rules. The manual has been disseminated to all Group companies in Japan and overseas, and has been posted on the company intranet, and periodic training sessions are conducted to ensure thorough compliance among the employees of the company and its Group companies.

Further, we conduct assessments of anti-corruption regulations and corruption risks in each country, such as the status of transactions and the countries in which our trading partners are located. Based on the results of these assessments, we decide on policies to strengthen measures to prevent corruption, and apply them to the company and all Group companies.

Initiatives in the Supply Chain

In order to prevent corruption in the Group's supply chain, we are making our agents, consultants, distributors, and other business partners aware of our anti-corruption policy by holding regular training sessions when initially engaging or renewing a contract, or at business meetings and other occasions. We also ask our partners to pledge to comply with the policy. In addition, as part of our due diligence procedures, we ask business partners to submit written responses detailing their company's profile and any past corruption problems, and assess the risk of corruption based on these responses. Moreover, when we engage a business partner for business with a high risk of corruption, such as in a public tender transaction or in a developing country, a more detailed risk assessment is carried out, including on-site interviews with the business partner conducted by an outside expert. If it is judged that there is a risk of corruption as a result of the assessment, we conduct awareness-raising activities concerning the prevention of corruption for such business partners, asking them to implement corrective measures such as strengthening the internal rules and organization to prevent corruption, and offering our support for such efforts. (The company does not engage business partners if the implementation of remedial measures is refused or if there is a strong concern about corruption detected through the assessment process.)

Other Measures

In addition to the above-mentioned measures, we are striving to prevent corruption through the application of internal rules on business entertainment and gift-giving, and the strict application of approval procedures for business decisions and payment.

We have also established and operate an internal reporting system (the Speak-Up Reporting System, which allows anonymous reporting) that can be used by anyone involved in our business, including business and trading partners, in order to quickly identify corruption or the threat of corruption, to prevent compliance violations from occurring, and to rectify them as soon as possible. We also inform management executives or employees of Group companies, and business and trading partners, about the use of this system.

Management executives and employees whose corrupt conduct has been confirmed are subject to disciplinary action in light of internal rules. Business and trading partners are requested to rectify such actions, and other measures are taken, such as the suspension of transactions.