

# Our Sustainability Efforts

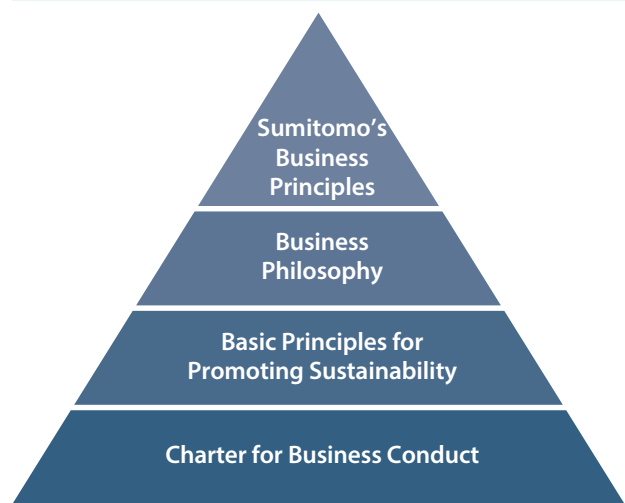
The history of Sumitomo Chemical began when gasses from a copper smelting process caused a pollution problem, and there was an urgent need for a solution. Sumitomo Chemical was founded to resolve this problem, using those gasses as the raw material for fertilizer manufacturing, overcoming an environmental problem while also improving agricultural productivity. This philosophy of resolving problems facing society through its business is in the DNA of the Sumitomo Chemical Group.

## 1 The Sumitomo Chemical Group's Efforts to Promote Sustainability— Basic Principles for Promoting Sustainability

To us at the Sumitomo Chemical Group, the promotion of sustainability means contributing to developing a sustainable society through our business and achieving sustained growth for our company. In promoting sustainability, we are committed to creating social and economic value concurrently through innovation and contributing to resolving critical issues facing international society, including achieving the United Nations Sustainable Development Goals (SDGs). With the commitment of the top management and participation by all officers and employees, we also pledge to undertake various initiatives by engaging in alliances and collaborations with stakeholders, while also continuously assessing and improving our actions.

These principles and this commitment of ours are expressed in our Basic Principles for Promoting Sustainability, and in the framework of our Corporate Philosophy, we place these principles just below the Sumitomo Business Principles and Sumitomo Chemical's Business Philosophy to show our commitment to working on the promotion of sustainability as a management priority.

### The Framework of Sumitomo Chemical's Corporate Philosophy

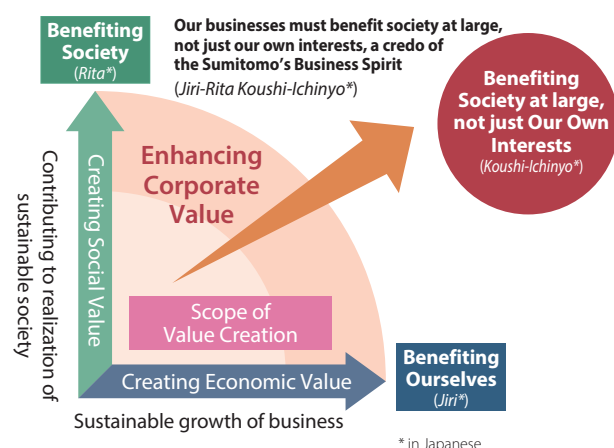


### Basic Principles for Promoting Sustainability

- Principle 1** Creating economic value which helps create social value (Promoting "Jiri-Rita Koushi-Ichinyo"\*)
- Principle 2** Contribution to solving globally vital issues
- Principle 3** Active participation in global initiatives
- Principle 4** Collaboration with stakeholders
- Principle 5** Top management commitment and participation by all
- Principle 6** Enhancing corporate governance

\* "Jiri-Rita Koushi-Ichinyo" is a phrase in Japanese, passed down through generations in the Sumitomo family, that describes the Sumitomo business principle, "Our business must benefit society at large, not just our own interests."

### Image of Enhancing Corporate Value

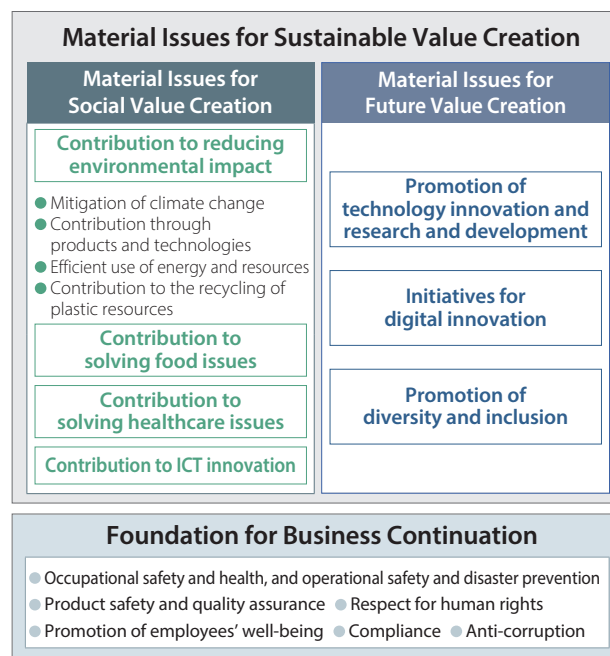


## 2 The Material Issues to be Addressed as Management Priorities

Sumitomo Chemical has identified the material issues that the company will address as management priorities based on its Corporate Philosophy. We have a belief that resolving issues through our business and creating both social and economic value is as important as continuing our business to achieve it. Based on this view, we have defined the material issues identified as related to the former as the material issues for sustainable value creation, and the material issues for the latter as the foundation for business continuation.

Among the material issues for sustainable value creation, we have classified four items—reduction of environmental impact, food issues, healthcare, and ICT innovation—under material issues for social value creation, while categorizing technology innovation and research and development, digital innovation, and diversity and inclusion as material issues for future value creation. Regarding the items that serve as the foundation for continuing our business—occupational safety and health, operational safety and disaster prevention, product safety and quality assurance, respect for human rights, promotion of

employees' well-being, compliance, and anti-corruption—we have been making group-wide efforts and will continue to work on them as management priorities.



## 3 Key Performance Indicator (KPI)

We have set key performance indicators (KPIs) for initiatives related to our material issues. With the use of KPIs, we manage and disclose the progress of those initiatives, while also promoting dialogues with stakeholders in and outside the company, to enhance and accelerate our sustainability efforts.

Material Issues		KPIs	SDGs Targets
<b>Material issues for social value creation</b>			
Reducing environmental impact	Mitigation of climate change	Amount of Group's GHG emissions (Scope 1+2)	<b>13.3</b>
	Contribution through products and technologies	Contribution to reducing GHG emissions throughout the product life cycle (Battery-related materials)	<b>13.3</b>
	Efficient use of energy and resources	Sales revenue of Sumika Sustainable Solutions* designated products	
		Unit energy consumption	<b>7.3</b>
Food issues	Contribution to the recycling of plastic resources	Number of petrochemical-related technology licenses	<b>9.4</b>
		Various initiatives are underway, and KPIs are to be determined	
Healthcare	ICT innovation	Effect of increasing production of animal protein including poultry	<b>2.1</b>
		Agricultural land area where agro-solution products are used	<b>2.4</b>
		Number of people protected by products for the control of tropical infectious diseases	<b>3.3</b>
		KPIs are to be determined	
		Number of mobile devices using polarizing films	<b>8.2</b>
<b>Material issues for future value creation (creating social value and economic value)</b>			
Promotion of technology innovation and research and development		Patent asset size	
Initiatives for digital innovation		Digital maturity	
Promotion of diversity and inclusion		Each group company sets its own KPI in light of the environment facing each	

\* Our Group's products and technologies that help to address global warming, reduce environmental impact and promote effective use of resources.

# Contributing to Reducing Environmental Impact

Among its sustainability efforts, Sumitomo Chemical focuses on contributing to the reduction of environmental impact in particular. In this section, we introduce our initiatives for mitigating climate change and our contribution through products and technologies.

- ▶ P68: Addressing Climate Change
- ▶ P70: Initiatives Towards Building a Circular System for Plastics

## Mitigation of Climate Change

### Initiatives Toward Achieving Science Based Targets (SBTs)

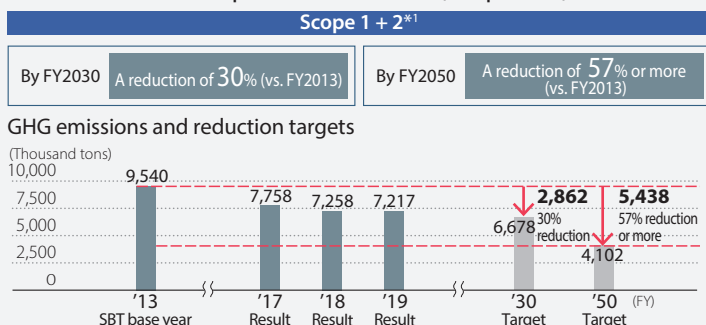
Sumitomo Chemical has identified major risks of climate change problems impacting the Group's businesses. These include a cost increase in the event that countries around the world introduce carbon pricing or raise the price for carbon, as well as damage to its production facilities due to intensified climate disasters caused by a rise in temperature. To address these risks, we are taking various group-wide measures to help mitigate climate change. For example, in October 2018, we at the Sumitomo Chemical Group were certified by the Science

Based Targets (SBT) initiative for our targets for the reduction of greenhouse gas (GHG) emissions, becoming the first diversified chemical company to receive this certification. Toward the achievement of these targets, we have included the Group's Scope 1+2 GHG emissions in our KPIs. We are also working on various initiatives, such as switching to LNG fuel for our plants, employing the latest highly efficient equipment, and cutting back on energy consumption across the board. In addition, in order to reduce Scope 3 emissions, we have launched an engagement effort with our major suppliers to ask them to set their own reduction targets.

Our Sustainability Promotion Committee and Responsible Care Committee oversee these efforts and their progress.

## GHG Emission Reduction Targets Certified as SBTs

KPI: Amount of Group's GHG emissions (Scope 1+2)

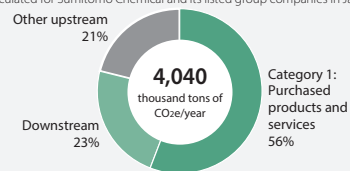


\*1 Scope 1: Direct emissions from our production plants, including the use of fuel in the manufacturing process  
 Scope 2: Indirect emissions, including the purchase of electricity and heat from outside our production plants

By FY2024 Setting GHG emission reduction targets for major suppliers\*3

(Reference) Scope 3 GHG emissions (FY2019)

Calculated for Sumitomo Chemical and its listed group companies in Japan.



\*2 Scope 3: Emissions from the manufacturing and transportation of purchased raw materials

\*3 Major suppliers account for 90% of our purchased raw materials by weight

## Initiatives

### Contributing to Reducing GHG Emissions by Switching Fuel for Thermal Power Generation—Establishment of Niihama LNG Co., Ltd.

In April 2018, Sumitomo Chemical established Niihama LNG Co., Ltd. with Tokyo Gas Engineering Solutions Corporation, Shikoku Electric Power Co., Inc., Sumitomo Joint Electric Power Co., Ltd., and Shikoku Gas Co., Ltd. Niihama LNG's main business is to supply gas to the premises of our Ehime Works, and to a new liquefied natural gas-based thermal power plant, to be built by Sumitomo Joint Electric Power. Construction is in progress, with the start of operations scheduled for February 2022. By partnering with these companies, Sumitomo Chemical will work to promote and expand the use of natural gas, which can contribute to reducing GHG emissions, while also promoting stable and efficient use of energy.

### Supplier Engagement—Briefing Session

In November 2019, we held a briefing session for about 30 major suppliers of ours in Japan to present our initiatives toward achieving our SBTs, and to ask our suppliers to set their own GHG emission reduction targets. Going forward, we will organize follow-up meetings and briefing sessions with our suppliers individually, with the aim of having their reduction targets set by fiscal 2024.



## Contributions through Products and Technologies

### ■ Promotion of Sumika Sustainable Solutions (SSS)

Sumitomo Chemical considers increasing demand for products that contribute to resolving climate change and environmental issues, including the reduction of GHG emissions, as a major business opportunity for the Group presented by the climate change problem. As part of an effort to seize this opportunity, we have been implementing an in-house initiative to designate the Group's products and technologies that contribute to addressing

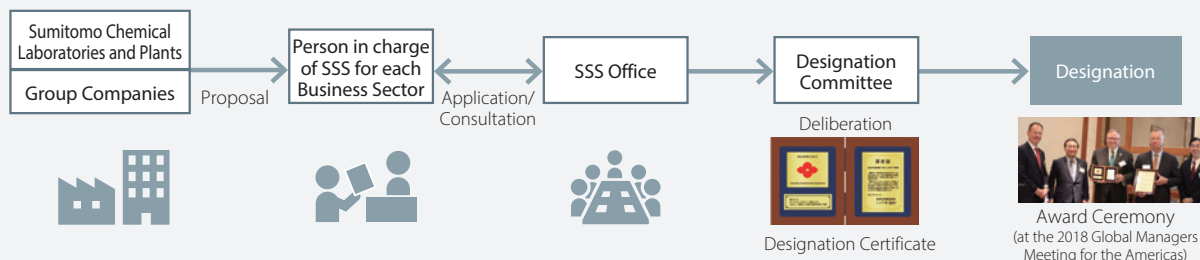
climate change, reducing environmental impact, and effective use of resources, as Sumika Sustainable Solutions (SSS).

We have also set KPIs based on sales revenue from SSS-designated products and the amount they contribute to GHG reduction, and we have been monitoring the progress of our efforts by using those KPIs. In addition, we include contributions to the creation of social value and SSS designation in the selection criteria for our employee commendation system.

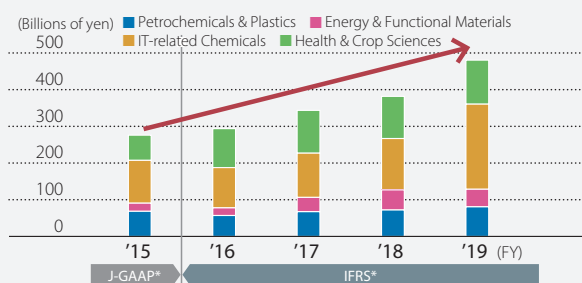
We will continue to work on the development and promotion of SSS-designated products and technologies and contribute to resolving issues to build a sustainable society.

### The Process of SSS Designation

Our laboratories, plants and group companies apply for designation for their products and technologies, and the Designation Committee formally makes the designation. A third-party organization has reviewed all cases designated to date and assessed the results of the in-house designation for them as valid.



### KPI: Sales Revenue of SSS-designated Products



\* J-GAAP: Japanese GAAP, IFRS: International Financial Reporting Standards

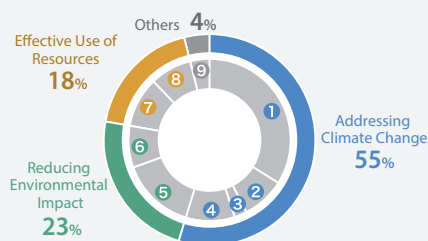
We have designated 54 products and technologies as SSS to date, and aim to increase the sales revenue of SSS products to 560 billion yen by fiscal 2021.

FY2019	(Billions of yen)
Sales revenue of the Sumitomo Chemical Group	2,225.8
Sales revenue of SSS-designated products	479.8

### Designation Requirements by Category

Category	Designation Requirements
Addressing Climate Change	① Contributing to reducing GHG emissions
	② Products, components, and materials used for the creation of new energy sources
	③ Using biomass-derived raw materials
	④ Contributing to adapting to the impacts of climate change
Reducing Environmental Impact	⑤ Contributing to reducing waste and toxic substances, and contributing to reducing environmental impact
	⑥ Contributing to reducing environmental impact in food production
Effective Use of Resources	⑦ Contributing to recycling and energy-saving
	⑧ Contributing to the efficient use of water
Others	⑨ Other contributions to building a sustainable society

### Designation Requirements by Category/ Actual Environmental Contribution (FY2019)



#### ● Addressing Climate Change

Contributed to reducing 62 million tons of GHG emissions (CO<sub>2</sub> equivalent; a projection for 2020) through the life cycles of the designated products and technologies in this category

#### ● Reducing Environmental Impact

Contributed to reducing the use of organic solvents by 100 thousand tons per year by using the designated products and technologies in this category

#### ● Effective Use of Resources

Contributed to reducing the use of water by 14.2 million tons per year by using the designated products and technologies in this category