Addressing Climate Change

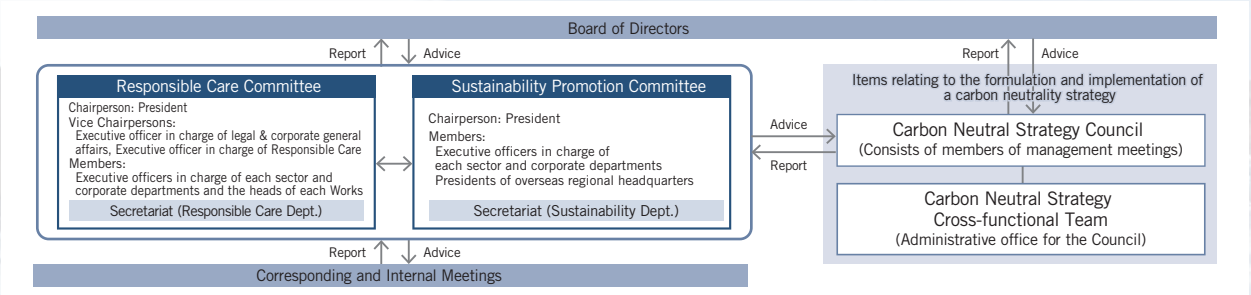
Information Disclosure in Line with TCFD Recommendations

The Sumitomo Chemical Group expressed its support for the TCFD recommendations when they were announced in June 2017.

Governance and Risk Management

In order to achieve carbon neutrality by 2050 for the Sumitomo Chemical Group, and also to contribute to the achievement of carbon neutrality in society at large, Sumitomo Chemical established the Carbon Neutral Strategy Council (February 2021) to formulate and promote an integrated strategy, with the goal of publishing a strategy during 2021. Previously, the Sustainability Promotion Committee and the Responsible Care Committee, which consisted of members gathered from a wide range of related departments and were both chaired by the company's president, would analyze information and risks relating to climate change, make decisions on important issues, and push forward specific responses, but since the establishment of the Strategy Council, these two committees have also taken on the role of supporting the council in formulating its strategy, and then promote the implementation of that strategy as well.

Structures for Responding to Climate Change



Strategy

Promoting Initiatives to Achieve Carbon Neutrality from the Perspectives of Both Obligation and Contribution

The chemical industry is being strongly called upon to create innovation and contribute to the achievement of carbon neutrality for society at large through its businesses. Through the newly established Carbon Neutral Strategy Council and the Carbon Neutral Strategy Cross-functional Team, our company will formulate and implement a carbon neutrality strategy that address both our obligation to bring our own greenhouse gas (GHG) emissions close to zero, and the contribution we can make to promoting carbon neutrality for society as a whole through our technologies and products.

Sumitomo Chemical aims to take a range of multifaceted approaches unique to a diversified chemical company, in our initiatives to achieve carbon neutrality by 2050 from the following four perspectives.

1. To minimize greenhouse gas emissions associated with the Group's production activities through innovation, and provide and deploy new technologies across the world.
2. To drive innovations for greenhouse gas emissions reduction regarding materials used in society, and provide products and solutions that contribute to carbon neutrality from a Life Cycle Assessment* perspective.
3. To actively engage in the development of technologies for recovery, separation, use and storage of greenhouse gasses emitted from other industries and from communities, and help the process by becoming part of a system that implements such technologies in society.
4. To take on the long-term challenge of developing carbon negative technologies to reduce the absolute volume of greenhouse gas in the atmosphere.

* Life Cycle Assessment (LCA): A method for quantitatively assessing the environmental impact of a certain product or service across its entire life cycle, from the procurement of raw materials to its use and disposal.

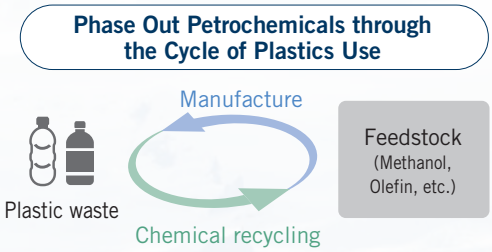
Technology Development Aimed at Generating Innovation

Achieving carbon neutrality by 2050 will not only require the maximal use of the best available technology, such as fuel conversion and current energy-saving technologies, but also the generation of innovation going forward. Sumitomo Chemical aims to develop a wide range of technologies aimed at achieving carbon neutrality for society as a whole, and then deploy them in society.

Carbon Resources Recycling System

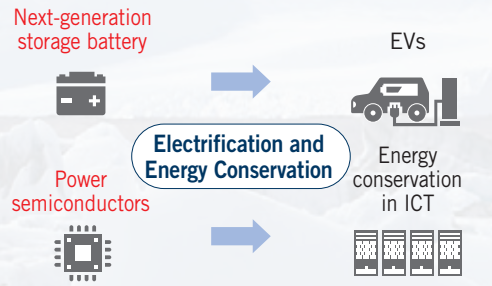
We are developing chemical recycling technology that can convert garbage and plastic waste products into basic raw materials for chemical products, such as methanol, ethanol, and olefins, and then use those materials to create new plastics.

Plastic Resource Circulation ▶ P66



Highly Efficient Energy Infrastructure

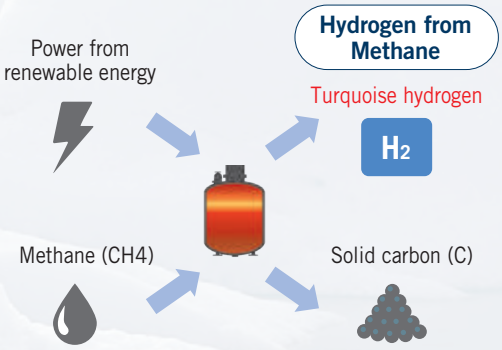
One issue in the Society 5.0 concept is the increase in CO_2 emissions from the electricity necessary for transmitting massive volumes of data. In light of this, our company is contributing to creating energy-saving power supplies by providing compound semiconductor materials for next-generation power semiconductors. In addition, in response to the spread of electric vehicles, which is expected to accelerate going forward, we are working to develop next-generation storage batteries, such as solid-state batteries.



Manufacturing and Utilizing CO_2-free Hydrogen

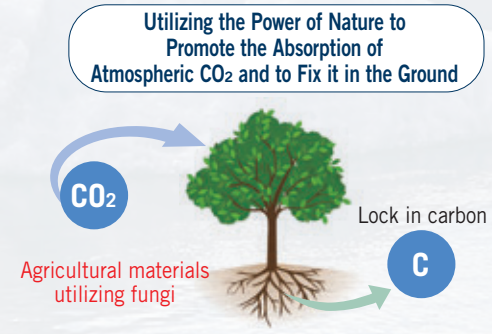
We are developing manufacturing technology to create a method for generating hydrogen at low costs and without creating CO_2 using methane as a raw material. In addition, we are also considering developing "turquoise" hydrogen* technology, which, despite using petroleum as a raw material, does not generate CO_2.

* "Turquoise" hydrogen: hydrogen that falls in between "green" hydrogen and "blue" hydrogen
"Green" hydrogen : Hydrogen manufactured from non-petroleum-based raw materials without generating CO_2
"Blue" hydrogen: Hydrogen manufactured from petroleum in a way that generates CO_2, but where the CO_2 is captured and not released into the atmosphere



Carbon Negative

We are developing a technology whereby attaching certain types of fungi that exist in nature to the roots of plants and allowing them to coexist, we not only promote the absorption of CO_2 by plants through photosynthesis, we also fix CO_2 in the ground in the form of carbon compounds. This will enable ordinary fields, forests, and other natural spaces to absorb and fix even greater amounts of CO_2, contributing a net negative amount of carbon to the atmosphere.



Scenario Analysis

The TCFD recommendations suggest that when disclosing strategy, companies ought to conduct their analysis from multiple climate scenarios. This is called scenario analysis, and it is a method that assumes changes in the business environment due to the impacts of climate change and long-term trends in government policies responding to climate change, and then evaluates the impacts those changes would have on the company's business and management. Currently, Sumitomo Chemical analyzes both risks and

	Common for All Scenarios*1	1.5°C Scenario (Reduced GHG Emissions)
Risks / Opportunities	**Increasing Demands for Disclosure of Information**	**Opportunities** **Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change**
Anticipated Situation (Example)	● Expansion of ESG investment ● Increased demands for disclosure of the results of life cycle assessment ● Legalization of disclosure of climate change-related information, and introduction of new environmental accounting standards	● Increasing investment and growing market for products and technologies contributing to the reduction of GHG emissions and for products and technologies related to recycling **[Examples]** • Growing markets for EVs and fuel cell vehicles (2020 to 2050) • Growing markets for components and materials for high-efficiency communication, due to change in consumer behavior (including expansion of the sharing economy and more efficient logistics with the use of IT) • Shift to low-carbon energy sources • Expansion of CCUS*2 (2030 onward) • Expansion of the circular economy, with the aim of reducing CO_2 derived from fossil fuels (2020 to 2050) • Growing markets for energy-saving homes and building materials
Impact Assessment ● In blue: positive impact ● In red: negative impact	● Increased opportunity to get access to ESG investment capital by enhancing information disclosure ● Improved rating in stakeholder assessments with regard to the disclosure of the amount of GHG emissions reduction calculated by life cycle assessment ● Increased cost of compliance	● Increased demand for SSS*3-designated products ● Increasing need for technological development for future SSS-designated products **[Examples]** • Components and materials for EVs and fuel cell vehicles • Increased sophistication in IT devices, demand for electronic components necessary to reduce energy consumption, demand for related products and technologies necessary for distributed power systems and semiconductor control devices • Technology that contributes to reducing GHG emissions • Products and technologies for CO_2 recovery, on the back of the expansion of CCUS • Carbon negative technologies • Recycling-related products and technologies • Energy-saving building materials such as heat storage materials
Action	● Enhance information disclosure ● Promote life cycle assessment evaluations of our products ● Respond to trends in regulations and movements by related institutions	● Enhance development and production systems for products such as lightweight materials, battery materials, and materials for optical products and electronic components ● Enhance development and production systems for products such as materials for power devices and high-efficiency communication components ● Promote licensing of technologies that contribute to reducing GHG emissions ● Develop technologies relating to CO_2 recovery ● Develop products that contribute to carbon neutrality (agricultural materials utilizing fungi, etc.) ● Develop recycling technology and build business models for it ● Develop technology for and expand sales of heat storage material products

*1 Common for all scenarios: Situations that can be expected in both 1.5°C scenario (reduced GHG emissions) and 4°C scenario (business as usual)
*2 Carbon dioxide capture, utilization and storage *3 Sumika Sustainable Solutions *4 Assumptions based on the IPCC Special Report on "Global Warming of 1.5°C"

opportunities with respect to both a scenario in which a variety of measures are taken to limit average global temperature increase to 1.5°C above the pre-industrial revolution levels, and a scenario in which countermeasures are not taken and temperatures increase by 4°C, evaluating both the impacts on our businesses and future actions that need to be taken.

		4°C Scenario (Business as Usual)	
Risks **Increased Regulation on GHG Emissions**	**Risks** **Increased Cost of Raw Materials**	**Opportunities** **Increased Demand for Products and Technologies Contributing to the Mitigation of Climate Change**	**Risks** **Intensified Climate Disasters due to Temperature Rise**
● Higher carbon prices (in developed countries, USD 135/ton for 2030, USD 245/ton for 2050)*4 ● Stronger requirements for GHG emissions reductions and making energy-saving performance mandatory ● Phased abolishment of subsidies for fossil fuels (in India and Southeast Asia, etc.) ● Accelerating transition to a circular society and increased regulation ● Increase in calls to promote use of renewable energy from customers	● More use of resources from circular systems and progress in the transition to lower environmental impact processes ● Increased costs due to more use of recycled materials ● Increase in calls for green procurement	● Growing market for crops resistant to environmental changes such as temperature rise and drought ● Spread of infectious diseases due to the impact of climate change	● More impact on plant operations ● Rising sea level, damage from storm surges and floods, and heat waves ● Damage to farmland due to droughts and soil degradation
● Increased operation costs due to higher energy taxes including carbon prices (Assuming a volume of GHG emissions that will have an impact on the Group's operating costs in fiscal 2050 is about 7.4 million tons/year (Scope 1+2), the same level as in fiscal 2020, and a carbon price is between 13,500-24,500 yen per ton of CO_2, our expense burden will increase by about 100-180 billion yen per year.) ● Lower utilization of high-energy consumption production facilities ● Increase in utility expenses due to an increased proportion of renewable energy	● More difficult to procure raw materials ● Lower profitability of the existing businesses	● Increased demand for SSS-designated products ● Increased need for technological development for future SSS-designated products [**Examples**] • Biorationals • Agrochemical products adaptable to the change in crop growth • Agents for prevention and treatment of infectious diseases	● Facilities located on seashores and river banks cease operations ● Decreased cost competitiveness of plants due to increased costs for measures to be prepared for disasters ● Decreased demand due to lower agricultural productivity
● Switch to highly efficient equipment by actively utilizing government subsidies ● Switch to renewable energy ● Rationalization research for manufacturing processes ● Develop technologies to capture, separate, and utilize GHG, and deploy them in society ● Promote the deployment of GHG emission removal equipment ● Promote the utilization of CO_2-free hydrogen and ammonia	● Diversify raw material sources ● Evaluate the use of recycled raw materials ● Shift to a local production, local consumption model (for products where raw material procurement costs make up a relatively high proportion of the price)	● Develop products such as biorationals ● Provide solutions that respond to global changes in the environment for agriculture and infectious diseases ● Enhance sales and marketing structures and new product development structures with an eye on changes in demand in targeted markets	● Manage and respond to risks from a business continuity planning perspective ● Expand and diversify the regions in which we do business

Addressing Climate Change

Metrics and Targets 1

Metrics for Risks

Science Based Targets (SBT)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

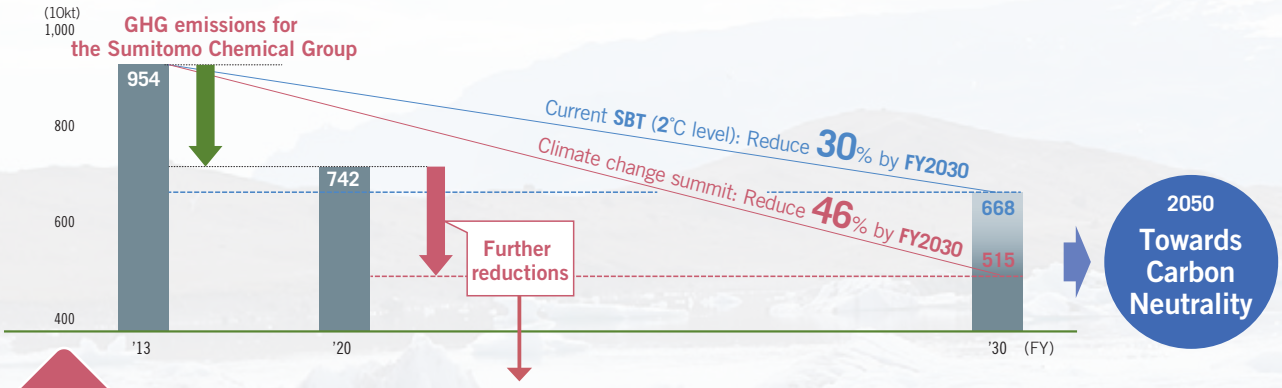
We utilize GHG emissions reduction targets as metrics for climate change risks. These targets were certified by the SBT initiative, the first such targets to be certified for any diversified chemical company in the world. To achieve these targets, we made Group-wide GHG emissions (Scope 1+2) a key performance indicator, and we are promoting measures such as switching to liquid natural gas as a fuel, deploying the latest high-efficiency devices, and thoroughly implementing energy-saving measures. In addition, to reduce GHG emissions for Scope 3, we began engaging with our major suppliers about setting goals for reducing GHG emissions in 2019.

In recent years, however, various countries, including Japan, have declared that they will achieve carbon neutrality by 2050, and in view of the goal promoted by the Japanese government of reducing GHG emissions by 46% by fiscal 2030*, we are considering setting challenging goals in line with this target, and having them once again certified by the SBT initiative.

* Compared to fiscal 2013

Scope 1+2*1

Reducing GHG Emissions



Example

Reduction of CO_2 Emissions by Fuel Conversion for Utility

For the Ehime and Chiba regions, where our plants are located, we are working to shift from fuels with a high CO_2 emissions coefficient, such as coal, petroleum coke, and fuel oil, to liquid natural gas, which has a low CO_2 emissions coefficient.

	Ehime	Chiba
Fuel	Coals and heavy oil ▶ LNG	Petroleum coke ▶ LNG
Reduces CO_2 emissions	650 thousand tons/year	240 thousand tons/year

Building an LNG tank, the largest of its kind in Japan, on the premises of Ehime Works

Scope 3*2

By FY2024
Setting GHG Emission Reduction Targets for Major Suppliers*3

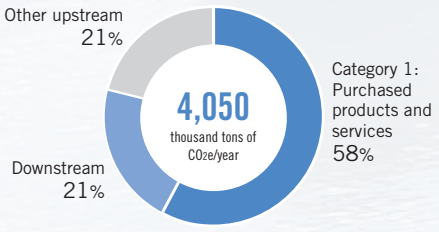
Supplier Engagement—Briefing Session

In February 2021, we held an online briefing session for about 15 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.

This picture shows the engagement conducted in 2019

(Reference) **Scope 3 GHG Emissions** (FY2020)

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

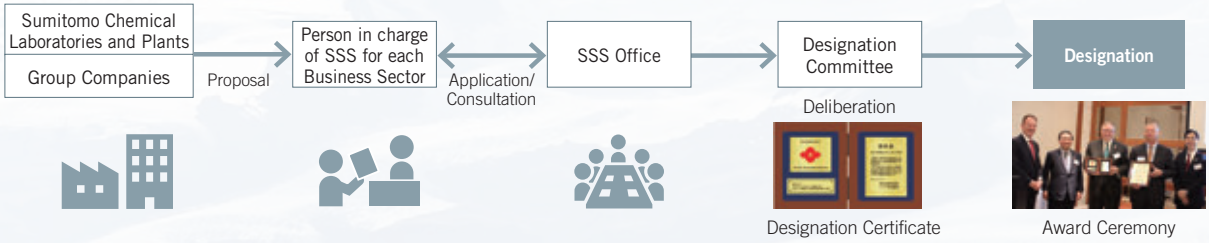
Metrics and Targets 2

Metrics for Opportunities

Sumika Sustainable Solutions (SSS)

Our company uses the SSS as a metric for opportunities related to climate change. SSS is an initiative in which we designate those of our Group's products and technologies that contribute to the fields of addressing climate change, reducing environmental impact, and effective use of resources. We have also set KPIs based on sales revenue from SSS-designated products, 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.

The Process of SSS Designation



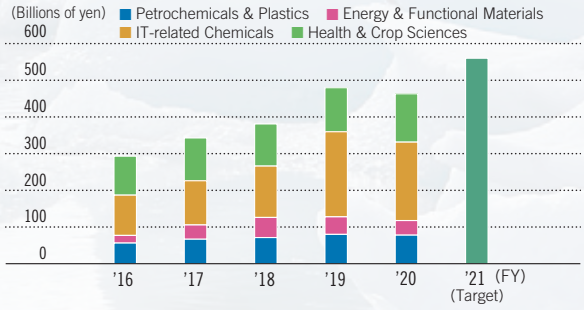
Our laboratories, plants and group companies apply for designation for their products and technologies, and the Designation Committee formally makes the designation.
A third-party organization has reviewed all cases designated to date and assessed the results of the in-house designation for them as valid.

Targets and Performance

Targets

Sales Revenue of SSS-designated Products

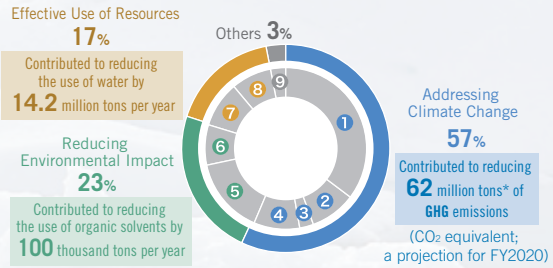
By FY2021 ¥560 billion



Performance

Sales revenue of the Sumitomo Chemical Group	¥2,287.0 billion
Sales revenue of SSS-designated products	¥463.3 billion
The number of SSS-designated products and technologies (total)	57

Actual Environmental Contribution by the Products and Technologies in Each Category



* Calculated with reference to "New Perspective on Reducing Greenhouse Gases" by the Japan Chemical Industry Association and "Global Value Chain" by the Japan Business Federation

Designation Requirements by Category

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

Response to the Plastic Waste Problem

Building a Circular System for Plastics

Plastics are a useful material that supports our lives, used in automobiles, aircraft, healthcare and sanitation application, electronic devices, various forms of packaging and other diverse applications. On the other hand, plastics are also part of global environmental problems, such as marine plastic waste, when they are not adequately recycled or properly treated after use. There are now demands for a society that, while using plastics, also recycles them as a resource.

Basic Policy Towards a Circular System for Plastics

▶ Our Website

- **Plastics are useful materials supporting a sustainable society.**
- **We are committed to work towards building a circular system for plastics and resolving plastic waste problems.**

1. **Contribute to resolving plastic waste problems through our business** by leveraging the power of chemistry
2. Focus on **innovation regarding 3Rs — reducing, reusing and recycling —** of plastics and accelerate the adoption of new solutions by society, while also considering the impact on response to climate change
3. Take on challenges difficult to resolve alone by **working with various stakeholders**
4. Provide education and awareness-raising programs based on sound science, while also engaging in social actions
5. Constantly review progress and work to enhance and improve our efforts

Participation in Initiatives

Through participation in various initiatives, the Sumitomo Chemical Group is working with stakeholders involved in the plastic value chain to address a broad range of issues related to a circular system for plastics.

Initiative	AEPW	CLOMA	JaIME
The purpose of each initiative	Promoting reducing the flow of plastic waste into the environment through improved infrastructure, technological transformation, education, collection, and cleanup, centered on the countries throughout the world with the highest amount of plastic waste entering the environment	Promoting the sustainable use of plastic products and the development and implementation of substitute materials in order to resolve the marine plastic problem, accelerating innovation through public-private collaboration	Contributing to the resolution of the marine plastic problem through public awareness, information sharing between members, and other information sharing initiatives, in collaboration with the chemical industry as a whole.
Examples of Sumitomo Chemical's contributions	● Supporting the activities of AEPW from the financial side as a member company ● Participating in the selection of projects and evaluations of their sustainability and impact	● Planning to conduct field tests aimed at improving recycling rates with respect to material recycling ● Considering contributing to resolving the marine plastic problem through international collaboration	Cooperated in the creation of an educational DVD for middle school science classes

The Sumitomo Chemical Group's Contribution to the 3Rs

Reduce

Refill Pouch

Compared with a bottle, this refill pouch is lighter and therefore offers higher transportation efficiency, while also being stronger.

Environmental aptitude
Utility value

	Bottle (HDPE)	Large Refill Pouch (EPPE+LLDPE)
Weight of packaging materials (g) per 100 g of contents	19	1.8
Transportation efficiency	△	○
Bag drop strength	△	○

Reuse

Returnable Box

Compared with a cardboard box, this returnable box made of foamed polypropylene sheets can be used repeatedly, and therefore offers higher environmental friendliness, while also being superior in terms of water resistance, load capacity and cleanliness.

	Cardboard Paper Box	Returnable box (Multipurpose PP sheets)
Number of usable times	1	20
Consumption of packaging materials (kg)	29.6*	2.7
Reusability	×	○
Water resistance, Load bearing, Cleanliness	×	○

* 20 boxes worth

Recycle

Material Recycle

Glass-fiber Reinforced Recycled Polypropylene Material

This material, made with our proprietary, advanced manufacturing and quality control technologies, boasts properties high enough to replace virgin polypropylene, even though it contains over 60% by weight recycled polypropylene. This technology, meeting the EU's End of Life Vehicles (ELV) Directive and circular economy policies, has been highly rated by automobile manufacturers for its quality, cost, stable procurement, and the stable physical properties of the product, and is contributing to the promotion of recycling and resource saving.

Environmental Contribution [FY2020]
(Based on Sumitomo Chemical's survey)

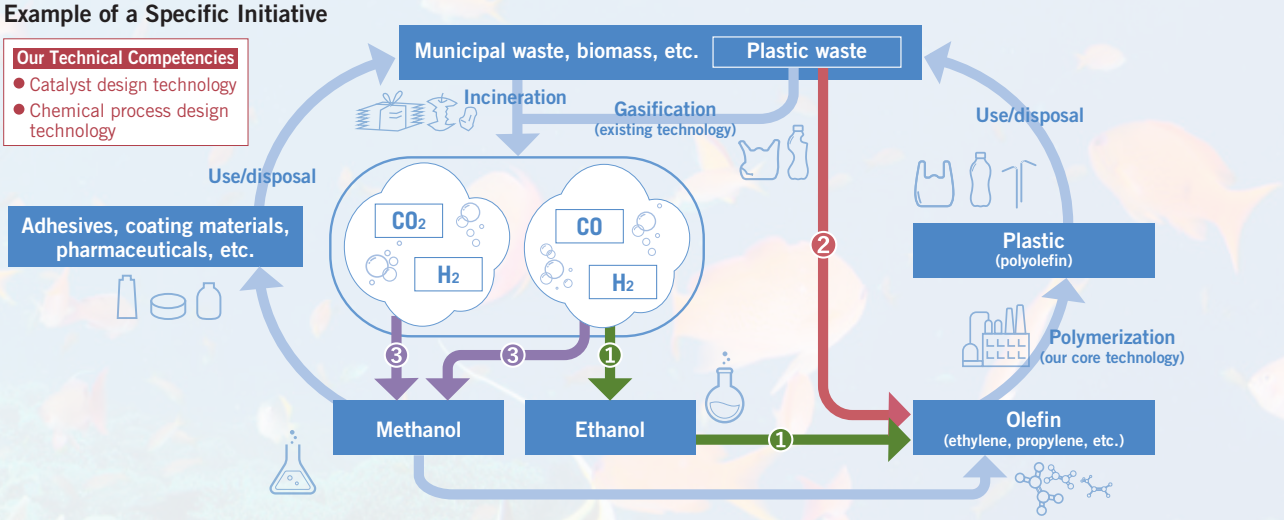
- Reduction of virgin polypropylene use: approx. 6,000 tons/year
- Reduction of GHG emissions, as compared with the case of using virgin polypropylene: approx. 15,800 tons/year (CO_2 equivalent)

Chemical Recycling

We are engaged in the research and development of chemical recycling technology, processes that chemically convert municipal and plastic waste and use them as new raw materials for plastics. We are working on this extremely challenging endeavor by leveraging our catalyst design and chemical processing design technologies, while also collaborating with partners. With chemical recycling technology, we will help to reduce the use of fossil fuels, the amount of plastic waste, and GHG emissions produced in incinerating plastic waste, and thereby contribute to building a sustainable society.

Example of a Specific Initiative

Our Technical Competencies
- Catalyst design technology
- Chemical process design technology



① Initiative with SEKISUI CHEMICAL CO., LTD.
[Raw material] Municipal waste, plastic waste and biomass
[Product] Polyethylene

② Joint research with the Muroran Institute of Technology
[Raw material] Plastic waste
[Product] Ethylene, propylene and others

③ Joint research with Shimane University
[Raw material] Municipal waste, plastic waste and biomass
[Product] Methanol

Issues in Implementing Recycling Technology in Society
- Accelerating technological development
- Securing plastic waste resources as raw materials
- Developing markets for plastic products obtained from recycling, etc.

April 2021
Established Business Development Office for a Circular System for Plastics

Planned to Begin Operations March 2024
New research facility at the Chiba site

Research and Development

The capabilities to develop innovative solutions by leveraging its technological expertise in diverse areas is one of Sumitomo Chemical's strengths. This section introduces the activities of two researchers from among those working to promote technology, research, and development around the world, who are involved in the development of mycorrhizal fungal products and the creation of new businesses.

Researcher
Sumitomo Chemical,
Health & Crop Sciences
Research Laboratory

Case 1 Aiming to Develop New Mycorrhizal Fungal Products that Contribute to Sustainable Agriculture as Soon as Possible

I work on the Biorational Team at the Health & Crop Sciences Research Laboratory in Takarazuka, conducting research and development on products using mycorrhizal fungi. Mycorrhizal fungi are a type of fungi that live in the soil and coexist with plants, receiving energy sources such as sugar, a product of photosynthesis, from plants, and in return supplying the plants with water and fertilizer components absorbed from the soil. This exchange promotes the growth of plants, and can be expected to contribute to greater stability in yields. By deploying products that utilize mycorrhizal fungi, it may become possible to secure sufficient yields even in soil that is lacking in nutrients or in regions where water is scarce, which can contribute to increased food supplies to meet the growing global population. In addition, because these products can also reduce the impact of unusual weather conditions, such as droughts, on yields, they can also be expected to limit the risk of food supply shortages and the outbreak of conflicts over resources.

Because products that utilize mycorrhizal fungi are naturally derived biorational products, they are becoming increasingly important in responding to the need to reduce the burden on the environment, which has been increasing in recent years. Moreover, mycorrhizal fungi promote the efficient absorption of CO_2 by plants, offering the hidden possibility of contributing to carbon neutrality as well.

Cambridge Display Technology

CDT's laboratory office

For about 13 years, I have worked at Cambridge Display Technology (CDT), a Sumitomo Chemical Group company located near Cambridge in the UK. As one of the Sumitomo Chemical Group's research facilities in Europe, we seek novel functional materials, conduct research and development, and undertake related activities, such as technical surveys.

In 2020, I became a member of the newly formed Corporate Venturing and Innovation (CVI) team at CDT. The CVI team searches for technologies in startups and academia that will have synergies with Sumitomo Chemical's businesses and research taking on the role of introducing new technologies, partners and creating new businesses for the Sumitomo Chemical Group.

The fields I have been involved with lately are materials related to 5G communication and decarbonization technologies. For materials relating to 5G communication, we are searching for startups that are researching substrate materials with low permittivity that will reduce signal loss within the substrate. Because the Sumitomo Chemical Group is already conducting multiple 5G-related research and development projects, in addition to our existing Super Engineering Plastics business, which is attracting attention as a substrate material suitable for 5G, we expect that by finding various outside technologies from startups and other sources that synergize with our existing technologies, we will be able to deliver even greater business expansion.

In terms of decarbonization technologies, we are focusing on searching for new technologies that can extract and collect CO_2 from the atmosphere and from exhaust gases, and convert it into high value-added materials. While there have been some commercial

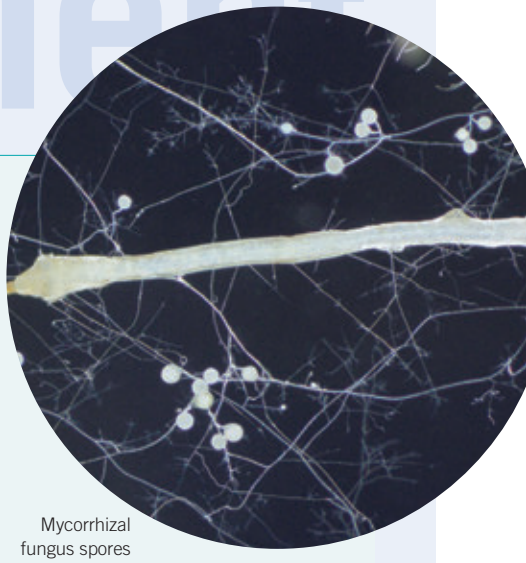
Basic Policy

Amid increasing uncertainty about the business environment surrounding Sumitomo Chemical, the role played by the chemical industry in solving societal issues, such as environmental, energy, and food issues, is enormous, and our business opportunities are expanding. Our research and development is based on the following basic policies: ❶ early market launch of development items; ❷ building the foundation of next-generation businesses; ❸ building and operating a system to continuously create innovation; and ❹ promoting R&D based on business (commercialization) strategies and intellectual property strategies.

Multiple laboratories both inside and outside Japan are organically collaborating to push forward the Sumitomo Chemical Group's research into developing new products. Alongside the Bioscience Research Laboratory and the Industrial Technology & Research Laboratory in Japan, both Valent Biosciences and Mycorrhizal Applications are also working on this research, with the various laboratories combining their particular specialties with technology to maximize our pursuit of research results. Due to COVID-19, we have limited opportunities to meet face-to-face, but we are actively using tools such as online meetings to exchange information. Our ability to undertake research and development focused on the same goal under a global structure is one of the real strengths of the Sumitomo Chemical Group.

What the Biorational Team, which I am a part of, is focused on in this research and development process is taking on new challenges. We are boldly taking on the challenge of using new technologies and new experimental methods, broadening our experiences while continuing to hunger for new insights. One of the challenges my team is currently taking on is improving our productivity in research and development by deploying digital technology. By deploying technologies that automate tasks using cutting-edge digital technology, such as AI-based image recognition technology to distinguish types of fungus, for example, or isolating useful microbes that have not previously been utilized, we are able to quickly develop new products.

Going forward, I hope that we will not only further deepen the collaboration between laboratories in the Sumitomo Chemical Group, both inside and outside Japan, but also actively exchange views with research institutions outside the company, developing new mycorrhizal fungal products that contribute to sustainable agriculture as quickly as possible.



Mycorrhizal fungus spores

Chemistry Research Center

Working to Create New Businesses with Collaboration Inside and Outside the Group

Case 2

Martina Pintani
Cambridge Display Technology

demonstrations, novel developments in this field are still largely stuck at the laboratory level, and while there are many research projects which still face significant issues in development for commercial applications, we are actively searching for new technologies which will help accelerate the Sumitomo Chemical Group's efforts to decarbonize.

The CVI team not only evaluates promising, relevant technologies from startups, academia, and other sources by conducting proof of concept projects, we also research and evaluate the possibility of applying these technologies to new applications in the business areas that the Sumitomo Chemical Group is focusing on. In the process of conducting proof of concept studies, we engage in detailed discussions with experts, not just the researchers who have accumulated many years of experience at CDT, but also with experts in a variety of fields through our innovation network, particularly at University of Cambridge.

I am both pleased and honored that, through these efforts, we are able to acquire new core technologies and commercialize revolutionary products for the Sumitomo Chemical Group. Going forward, I hope to contribute to the process of research and development in society through my activities as part of the CVI team.

Human Resource

Human Resource Strategy

Hiroshi Niinuma
Director & Senior Managing Executive Officer

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, as our business environment becomes increasingly complex and advanced, it is becoming an era in which it is extremely important to secure talent with diverse areas of knowledge and abilities, while at the same time placing an emphasis on fostering the capabilities of employees so that they can be mobilized to the greatest extent. Against this backdrop, in the Corporate Business Plan that began in fiscal 2019, one of the basic policies was to employ, develop and leverage human resources for supporting sustainable growth. As a specific initiative, in fiscal 2020 we started full operation of SUMIKA HR-BOX, a new personnel management system, thereby promoting the digitization of human resource system operations and training management. In addition, in the "Sumika 'Take Action' Declaration," we established 25 action items designed to create an environment in which diverse personnel can work with good health and energy. As the last year of the Corporate Business Plan, this fiscal year we will reap the results of these initiatives while promoting further progress.

Sumika 'Take Action' Declaration

We have set forth a number of important values and views that would make our employees find significance and feel pride in working at Sumitomo Chemical in the "Sumika 'Take Action' Declaration," and we are promoting this initiative so that they can lead healthy and fulfilling lives as employees, both mentally and physically. In addition, we established a committee of labor and management to share information and exchange views on the direction of our initiatives and their state of progress.

1 Work-life Balance
Aiming to harmonize work and private life to lead fulfilling lives
① Stop long working hours.
② Create an environment that makes it easy for employees to fully utilize work-life balance systems.
③ Encourage employees to take at least 80% of paid leave and facilitate effective use of the flex time system.
④ Prohibit business instructions that would require holiday or late-night work.
⑤ Cooperative framework in the workplace.
Joint labor and management declaration

2 Diversity and Inclusion
Respect and leverage diversity, promote active roles for all, and leave no one behind
⑥ Active roles for both men and women.
⑦ Let's eliminate preconceptions and assumptions.
⑧ Let's build a hybrid human resource group.
⑨ Encourage active roles for people with disabilities.
⑩ No harassment!
Joint labor and management declaration

3 Development and Growth
Development and growth to help our employees and the company flourish together!
⑪ Invest in growth for everyone.
⑫ Study every day, grow every day.
⑬ Support the desire to learn.
⑭ Use digital technology to accelerate growth.
⑮ Allow people to take on challenges and demonstrate their growth.
Joint labor and management declaration

4 Healthy Employees
Good health is a prerequisite for good work and a good life!
⑯ Revise eating habits, achieve a healthy weight.
⑰ Exercise a little and stay healthy forever!
⑱ High performance depends on quality sleep.
⑲ Smoking does nothing but harm.
⑳ Don't forget to take care of your mental health.
Joint declaration by company and corporate health insurance association

Sumika 'Take Action' Declaration
Declaring what we want to cherish

5 How to Proceed with Work
Reasonable, efficient, and creative work by each employee will lead to the improvement of their skills and the growth of the company.
㉑ Always review work goals and methods.
㉒ Make the use of digital technologies the default.
㉓ Eliminate excessive quality, streamline your work.
㉔ Maximize the added value of meetings.
㉕ Put customers first!
Company declaration

Promotion of Diversity and Inclusion (D&I)

We have raised "promotion of diversity and inclusion" as one of the material issues to be addressed as management priorities based on the Basic Principles for Promoting Sustainability. We have established key performance indicators relating to promoting the success of women in the workplace and male employees taking childcare leave in order to promote gender equality. In addition, roughly 100 of our main group companies in Japan and around the world have established key performance indicators in accordance with each company's circumstances to promote diversity and inclusion initiatives across the entire Sumitomo Chemical Group.

KPIs of Sumitomo Chemical (SC only)

Percentage of female employees in positions equivalent to manager or above
Target Over 10% (by 2022)
Current status: **6.3%** (as of April 1, 2021)

Percentage of male employees taking childcare leave
Target Over 70% (by 2022)
Current status: **63.8%** (fiscal 2020)

Strategy

Sumika Voices

Takako Iwama

Sumitomo Chemical
Polyolefins Division, Business Planning & Administration Dept.

I joined Sumitomo Chemical in 2002. After first being involved in work in the Human Resources Department relating to training, recruitment, and overseas personnel, I worked in the polypropylene division (currently the polyolefin division) in the Petrochemicals & Plastics Sector, where I received experience in such areas as affiliated company management and business performance management. After taking time off three times for maternity and childcare leave, since 2020 I have been working as a team leader for business performance management in the business planning & administration department of the polyolefin division. Over the past 10 years, even while taking time to raise my children, I also did the best I could do under various circumstances in my work. I think that is how one continues one's career. Recently, the time I devote to work has increased very significantly. Going forward, while broadening my experience by getting involved in a variety of areas, I want to put my experience to good use and become a leader who can make a variety of suggestions for raising Sumitomo Chemical's profits.

Vishnu Murthy Vunnamatla

Sumitomo Chemical
Chiba Works No.2 Manufacturing Dept., No.1 Polyethylene Sec.

I joined Sumitomo Chemical in 2008, and started my career as a process engineer in the Petrochemicals Research Laboratory of the Chiba Works. Being a pioneer of global employees from India, I initially struggled with the language barrier. Later I was transferred to the Polyethylene Manufacturing section, where I was involved in various process improvement studies for high-pressure polyethylene process. In 2016, I was stationed in Saudi Arabia for the start-up of Petro Rabigh Phase Ⅱ project. I was the main in charge of training local operators and engineers. This experience was a good opportunity to utilize the techniques and knowledge I had learned over my years in Japan. Sumitomo Chemical has training and job rotation systems no matter what career stage you are in, so I have been able to continually improve myself. Going forward, I would like to take a major role in expanding our company's technology through various projects to every part of the world, particularly to my homeland of India.

Recruiting and Developing Talent

Recruiting Talent

To support the sustainable growth and development of the Sumitomo Chemical Group, we are working to recruit employees with diverse capabilities and qualities. In our recruiting activities, in addition to conveying Sumitomo Chemical's unique features, such as the Sumitomo Spirit, our technology and R&D strengths, and our global business expansion, when recruiting new college graduates in particular, we are focusing on giving them many opportunities to speak with our employees in order to create mutual understanding, whether they majored in science or the humanities. As a result, we are positioned high in employer popularity rankings, and have been attracting strong interest among students. Going forward, to further strengthen our brand in the market for recruiting talent, including mid-career or foreign talent, we will strengthen our ability to recruit talented employees who will be responsible for the future of the Sumitomo Chemical Group.

Developing Talent

In accordance with our personnel system's basic philosophy of "development and growth," we are creating training programs to foster the development of employees with diverse capabilities and qualities. Since fiscal 2020, as part of the support we provide employees to help them create their own career paths, we have introduced online training programs that allow employees to learn using their smartphones or PCs, and since fiscal 2021 we expanded these to include online language learning tools. Through these initiatives, and under the slogan of "anytime, anywhere, as many times as you want," we are providing support for self-directed learning and for making learning a habit. In addition, for all employees, in accordance with their respective positions and roles, we provide staged training programs, such as programs for strengthening management skills for different levels of management, and programs to improve language skills to support global business development.

Investment in Training (SC only)

FY2020 Results	Target
Approx. **¥320,000** /year per person	Continue to invest at least **3** times the average level for publicly listed companies (approx. ¥110,000*)

* (Source) Annual Report on the Japanese Economy and Public Finance (FY2018)

Time Spent on Training (SC only)

FY2020 Results	Target
Approx. **131** hours/year per person (**8**% of regular working hours)	Aim to spend **10**% of work time on training or studying for work

Health Management

In order to ensure that employees can live healthy and active lives both physically and mentally, Sumitomo Chemical is promoting a variety of health support programs under the company-wide supervision of industrial physicians, including health guidance. In addition, based on the Sumika Healthy Employee Declaration formulated in February of 2020, we are carrying out specific initiatives, such as banning smoking during work hours and on the premises of Sumitomo Chemical, and providing individual guidance (sleep measurement and improvement measures) to employees who have sleep issues.

2021 健康経営優良法人 Health and productivity ホワイト500

For four consecutive years, Sumitomo Chemical has been designated as a Certified Health & Productivity Management Outstanding Organization, a program created by the Ministry of the Economy, Trade and Industry.

Directors & Senior Management (As of July 1, 2021)

Board of Directors


1 2
3 4 5 6
7 8
9 10 11 12










■ Number of shares held (as of March 31, 2021)
■ Number of attendances at Board of Directors meetings for fiscal 2020

1

Chairman of the Board

Masakazu Tokura

Birth Date: July 10, 1950

■262,300 ■13/13 times (100%)

1974 Joined Sumitomo Chemical Co., Ltd.
2019 Chairman of the Board (current)

2

Representative Director & President

Keiichi Iwata

Birth Date: October 11, 1957

■145,700 ■13/13 times (100%)

1982 Joined Sumitomo Chemical Co., Ltd.
2019 Representative Director & President (current)

3

Representative Director

Noriaki Takeshita

Birth Date: July 23, 1958

■83,200 ■13/13 times (100%)

Petrochemicals & Plastics Sector,
Business Development for a Circular System for Plastics

1982 Joined Sumitomo Chemical Co., Ltd.
2018 Representative Director & Senior Managing Executive Officer (current)

4

Representative Director

Masaki Matsui

Birth Date: August 3, 1960

■61,221 ■13/13 times (100%)

IT-related Chemicals Sector

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

5

Representative Director

Kingo Akahori

Birth Date: August 2, 1957

■46,200 ■13/13 times (100%)

Energy & Functional Materials Sector

1983 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

6

Representative Director

Nobuaki Mito

Birth Date: August 4, 1960

■49,500 ■10/10 times (100%)

Health & Crop Sciences Sector

1985 Joined Sumitomo Chemical Co., Ltd.
2021 Representative Director & Senior Managing Executive Officer (current)

7

Director

Hiroshi Ueda

Birth Date: August 5, 1956

■122,400 ■13/13 times (100%)

Research Planning and Coordination,
Digital and Data Science Innovation,
Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center, Engineering,
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.
2019 Director & Executive Vice President (current)

8

Director

Hiroshi Niinuma

Birth Date: March 5, 1958

■94,200 ■13/13 times (100%)

General Affairs, External Relations,
Legal, Human Resources

1981 Joined Sumitomo Chemical Co., Ltd.
2018 Director & Senior Managing Executive Officer (current)

9

Outside Director

Koichi Ikeda

Birth Date: April 21, 1940

■0 ■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. (current)
2021 Senior Alumni, Asahi Group Holdings, Ltd. (current)

10

Outside Director

Hiroshi Tomono

Birth Date: July 13, 1945

■0 ■13/13 times (100%)

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. (current)
2015 Advisor, Nippon Steel & Sumitomo Metal Corporation
2016 Outside Director, Japan Nuclear Fuel Limited (current)
2020 Senior Advisor, Nippon Steel Corporation (current)
2020 Outside Director, The Kansai Electric Power Co., Inc. (current)

11

Outside Director

Motoshige Itoh

Birth Date: December 19, 1951

■0 ■13/13 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 (current)
2016 Professor, Faculty of International Social Sciences, Gakushuin University (current)
2016 Professor Emeritus, The University of Tokyo (current)
2016 Outside Corporate Auditor, Hagoromo Foods Corporation (current)
2018 Outside Director, The Shizuoka Bank, Ltd. (current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

12

Outside Director

Atsuko Muraki

Birth Date: December 28, 1955

■0 ■13/13 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 (current)
2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)

Directors & Senior Management

Corporate Auditors

13 14
15 16 17

■ Number of shares held (as of March 31, 2021)
■ Number of attendances at Board of Directors meetings for fiscal 2020
○ Number of attendances at Corporate Auditors meetings for fiscal 2020

13

Standing Corporate Auditor

Kunio Nozaki

Birth Date: October 29, 1956

■ 87,500
■ 13/13 times (100%)
○ 14/14 times (100%)

1979 Joined Sumitomo Chemical Co., Ltd.
2019 Corporate Auditor (current)

14

Standing Corporate Auditor

Hiroaki Yoshida

Birth Date: March 2, 1956

■ 18,600
■ 13/13 times (100%)
○ 14/14 times (100%)

1980 Joined Sumitomo Chemical Co., Ltd.
2015 Corporate Auditor (current)

15

Outside Corporate Auditor

Mitsuhiro Aso

Birth Date: June 26, 1949

■ 0
■ 13/13 times (100%)
○ 14/14 times (100%)

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

16

Outside Corporate Auditor

Yoshitaka Kato

Birth Date: September 17, 1951

■ 0
■ 13/13 times (100%)
○ 14/14 times (100%)

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

17

Outside Corporate Auditor

Michio Yoneda

Birth Date: June 14, 1949

■ 2,000
■ 13/13 times (100%)
○ 14/14 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
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.
2018 Outside Director, Asahi Broadcasting Group Holdings Corporation (current)
2018 Outside Corporate Auditor, Sumitomo Chemical Co., Ltd. (current)
2020 Outside Director, Toyo Tire Corporation (current)

Executive Officers

President

Keiichi Iwata

Executive Vice President

Hiroshi Ueda

Research Planning and Coordination, Digital and Data Science Innovation,
Process & Production Technology & Safety Planning, Production & Safety Fundamental Technology Center,
Engineering, 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

Petrochemicals & Plastics Sector,
Business Development for a Circular System for Plastics

Hiroshi Niinuma

General Affairs, External Relations, Legal, Human Resources

Takashi Shigemori

Corporate Planning, IT Innovation

Masaki Matsui

IT-related Chemicals Sector

Kingo Akahori

Energy & Functional Materials Sector

Nobuaki Mito

Health & Crop Sciences Sector

Managing Executive Officer

Marc Vermeire

Sumitomo Chemical Agro Europe S.A.S.,
Sumitomo Chemical Europe S.A./N.V.

Keiichi Sakata

Sumitomo Chemical Asia Pte Ltd

Motoyuki Sakai

Inorganic Materials Div.,
Specialty Chemicals Div.,
Advanced Polymers Div.,
Battery Materials Div.

Seiji Takeuchi

Planning & Coordination Office,
Petrochemicals & Plastics Sector, Responsible Care Dept., Petrochemicals & Plastics Sector,
Basic Materials Div., Industrial Chemicals Div.,
Petrochemicals Research Laboratory

Naoyuki Inoue

Rabigh Refining and Petrochemical Company

Keigo Sasaki

Corporate Communications,
Accounting, Finance

Kenji Ohno

Sustainability,
Internal Control and Audit, Legal Dept.

Shinichiro Nagata

Ehime Works

Yoshizumi Sasaki

Business Development Office for a Circular System for Plastics,
Resin-related Business Development Dept.,
Polyolefins Div., Automotive Materials Div.

Ichiro Kosaka

Planning & Coordination Office,
Energy & Functional Materials Sector,
Quality Assurance Office,
Energy & Functional Materials Sector

Takanari Yamaguchi

Planning & Coordination Office,
IT-related Chemicals Sector,
Quality Assurance Office,
IT-related Chemicals Sector

Executive Officer

Andrew Lee

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

Masaya Naito

Procurement Dept., Logistics Dept.

Akira Iwasaki

Planning & Coordination Office,
Energy & Functional Materials Sector,
Quality Assurance Office,
Energy & Functional Materials Sector

Hirokazu Murata

Oita Works,
Misawa Works

Isao Kurimoto

Research Planning and Coordination Dept.,
Digital and Data Science Innovation Dept.,
Intellectual Property Dept.,
Industrial Technology & Research Laboratory

Koichi Ogino

Chiba Works

Inho Rha

Dongwoo Fine-Chem Co., Ltd

Akira Nakanishi

Planning & Coordination Office,
IT-related Chemicals Sector,
Electronic Materials Div.

Masao Shimizu

Human Resources Dept.,
Osaka Office Administration Dept.

Hiroaki Fujimoto

AgroSolutions Div. – Japan

Kanako Fukuda

Sumitomo Chemical Europe S.A./N.V.

Juan Ferreira

Sumitomo Chemical do Brasil Representações Ltda

Hiroyoshi Mukai

Planning & Coordination Office,
Health & Crop Sciences Sector,
Quality Assurance Office,
Health & Crop Sciences Sector

Shinsuke Shojima

AgroSolutions Div. – International

Takanori Ito

Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center,
Responsible Care Dept.

Yoshihiro Ino

IT Innovation Dept.

Tetsuo Takahashi

Planning & Coordination Office,
Petrochemicals & Plastics Sector

Tomoyuki Hirayama

General Affairs Dept.,
External Relations Dept.

Directors & Senior Management

Expertise and Experience of Directors and Corporate Auditors and Reasons for Their Appointment

		Position	Reasons for Appointment
Board of Directors			
	**Masakazu Tokura**	Chairman of the Board	He assumed office as a Director & Executive President in 2011. He has formulated Corporate Business Plans three times, including the current Corporate Business Plan (from April 2019 to March 2022) and has been focusing on the operations of the Board of Directors of the Company as a Director, Chairman since April 2019.
	**Keiichi Iwata**	Representative Director President & Executive President	Since joining the Company, he has mainly engaged in business planning in the Fine Chemicals Sector and the IT-related Chemicals Sector and has worked abroad in Belgium. After his appointment as an Executive Officer, he experienced planning and administration as well as sales management and was in charge of the Energy & Functional Materials Sector in 2018. He has been working to promote the current Corporate Business Plan (from April 2019 to March 2022) as a Director & Executive President since April 2019.
	**Noriaki Takeshita**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in business planning and production planning in the Petrochemicals & Plastics Sector and has worked abroad in Singapore and Saudi Arabia (the Rabigh Project). After his appointment as an Executive Officer, he experienced planning and administration as well as sales management and has been in charge of the Petrochemicals & Plastics Sector since 2017.
	**Masaki Matsui**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in business planning and sales/marketing in the Fine Chemicals Sector and the IT-related Chemicals Sector. When he was responsible for business planning for optical products, he contributed to significantly expanding the business not only in Japan but also in South Korea, Taiwan, and China. He has been in charge of the IT-related Chemicals Sector since 2019.
	**Kingo Akahori**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has engaged in a wide range of operations such as research and development, production technology, planning, and sales, in addition to being dispatched to the Swiss Federal Institutes of Technology and working overseas in the United States. After his appointment as an Executive Officer, he was responsible for the newly established Quality Assurance Office and divisions in the Energy & Functional Materials Sector, contributing to the growth and expansion of the sector. He has been in charge of the Energy & Functional Materials Sector since 2019.
	**Nobuaki Mito**	Representative Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in research and development in the Health & Crop Sciences Sector and experienced being dispatched to University of California, Davis in the United States. After his appointment as an Executive Officer, he was responsible for the pharmaceutical business and other areas in the Corporate Business Development Dept., working on the development of next-generation businesses. He has been in charge of the Health & Crop Sciences Sector since 2020.
	**Hiroshi Ueda**	Director Executive Vice President	Since joining the Company, he has mainly engaged in manufacturing and industrial research. In addition to them, he was responsible for business development, business planning, and safety/environment/hygiene-related operations at each plant after his appointment as an Executive Officer. He was in charge of the Energy & Functional Materials Sector since 2016 and is currently in charge of Research Planning and Coordination, Digital and Data Science Innovation, Process & Production Technology & Safety Planning, Responsible Care, and corporate research facilities as a Director & Executive Vice President.
	**Hiroshi Niinuma**	Director Senior Managing Executive Officer	Since joining the Company, he has mainly engaged in the operations of administrative departments, such as general affairs and human resources. After his appointment as an Executive Officer, he was also responsible for Legal, CSR, Internal Control and Audit and worked on ensuring compliance, developing and improving a corporate governance structure. As a Director & Senior Managing Executive Officer since 2018, he has been in charge of General Affairs, Legal, Sustainability, Internal Control and Audit, Human Resources, Osaka Office Administration, Corporate Communications, Procurement and Logistics.
	**Koichi Ikeda**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in sales, marketing and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
	**Hiroshi Tomono**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, provide well-balanced advice based on an extensive view on overall management, make recommendations based on his expertise in research, technology, manufacturing and other areas, and support appropriate risk-taking, by making use of his abundant experience and extensive knowledge as a management executive of a business corporation.
	**Motoshige Itoh**	Outside Director	He can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on his advanced expertise, by making use of his expert knowledge of economics, etc. through his long experience as a university professor and his wealth of experience and extensive knowledge of economic, social and other issues from his track record as a member of various government deliberative committees.
	**Atsuko Muraki**	Outside Director	She can be expected to make decisions on important management matters at the Board of Directors of the Company, appropriately oversee business execution, and provide advice and recommendations based on her advanced expertise, by making use of her wealth of experience and extensive knowledge in legal, social and other issues deriving from her employment over many years at administrative bodies as a civil servant as well as her expertise especially in human resources.
Corporate Auditors			
	**Kunio Nozaki**	Standing Corporate Auditor	Since joining the Company, he has worked mainly in accounting and finance operations, and has deep knowledge and experience related to these areas. He was also appointed as Director & Senior Managing Executive Officer in 2014, and has worked in the management of the Company. He will make use of this abundant knowledge and experience related to accounting and finance, and his experience and extensive knowledge as a management executive in auditing the Company in future.
	**Hiroaki Yoshida**	Standing Corporate Auditor	Since joining the Company, he has experience of operations in planning, legal, and other administrative sectors, and has also worked in an overseas posting in Saudi Arabia, in addition to serving as General Manager of the Internal Audit Dept. and General Manager of the Planning & Coordination Office, Petrochemicals & Plastics Sector. He will make use of his abundant knowledge and experience regarding the Company's business in auditing the Company.
	**Mitsuhiro Aso**	Outside Corporate Auditor	He will make use of his expert knowledge and abundant experience as an attorney and prosecutor over many years for the Company's audits.
	**Yoshitaka Kato**	Outside Corporate Auditor	He will make use of his expert knowledge and abundant experience as a certified public accountant over many years in auditing the Company.
	**Michio Yoneda**	Outside Corporate Auditor	He will make use of his wealth of experience and extensive knowledge of industry and social and other issues through his long career in financial and securities market management in Japan for the Company's audits.

(Note) In the table below, each person's main areas of expertise and experience, up to a maximum of three areas, are designated with a ●.

	Expertise and Experience								
	Corporate Management	Business Strategy/ Marketing	Technology/ Research	Global	ESG/ Sustainability	Finance/ Accounting	Human Resources and Labor	Legal/ Compliance/ Internal Control	Knowledge of Other Specialized Fields
	●	●		●					
	●	●		●					
		●		●		●			
		●				●			
		●	●	●					
		●	●						● (Intellectual Property)
		●	●						● (IT/DX)
					●		●	●	
	●	●			●				
	●		●		●				
				●					● (International Economics) ● (IT/DX)
					●		●	●	
				●		●			
		●		●				●	
				●	●			●	
				●		●		●	
	●				●				● (Financial Markets)

Dialogue between Outside Executives

Sumitomo Chemical's Governance Continues to Evolve

Koichi Ikeda, one of Sumitomo Chemical's Outside Directors, and Michio Yoneda, one of the Company's Outside Corporate Auditors, were asked to speak about their evaluation of the current state of Sumitomo Chemical's governance initiatives and about issues going forward.

Koichi Ikeda
Outside Director

Converting the Board of Directors to a Monitoring Board

Ikeda: I became an Outside Corporate Auditor for Sumitomo Chemical in 2011, and an Outside Director in 2015. Looking back on a decade as an outside executive, I feel that Sumitomo Chemical's corporate governance has been steadily evolving. One major turning point was the fundamental changes made to the way the Board of Directors operates in October 2015. Previously, emphasis had been placed on decision-making functions and voting on legal matters, but the scope of the Board's decision-making was narrowed down, and its monitoring and auditing functions were expanded. That was a period when moves to strengthen governance grew more active across the entire economic sphere, was it not?

Yoneda: In Japan, a new corporate governance code was established by the Financial Services Agency and the Tokyo Stock Exchange in June 2015. At the time, I was involved in the running of the Tokyo Stock Exchange, and the background to the formulation of this code was a recognition of the necessity of improving the ability of Japanese companies to generate profits in coordination with the government's growth strategy, in order to boost the Japanese stock market out of the doldrums it had been in for the past quarter-century, and therefore the necessity of enlivening boards of directors by incorporating diverse views from outside executives. There were also several scandals involving major companies at that time, and criticisms of the governance of Japanese companies from overseas investors was increasing.

I became an Outside Corporate Auditor in September of 2018, but I felt that, in light of the intent of the corporate governance code and its own state as a company, Sumitomo Chemical has pursued a very grounded transformation. If the position of monitoring and auditing is too widely separated from the execution, then the Board of Directors will also not be able to fulfill its function as a monitoring board. Sumitomo Chemical has expanded the number of items that are reported (the amount of information provided) to outside executives, and as a result, meetings of the Board feature questions and insights from the diverse perspectives of the outside executives, resulting in extremely rich discussions.

Ikeda: Broadly speaking, the information gap with outside executives can often become an issue, but at Sumitomo Chemical, we have opportunities to get our hands on a lot of different information. Explanations relating to agenda items in advance of meetings of the Board are naturally provided, but Sumitomo Chemical also provides rotating reports* from not just business units, but also administrative units, covering the broad range encompassed by diversified chemistry.

Michio Yoneda

Outside Corporate Auditor

In addition, we have had opportunities to visit company facilities, including not only visits to plants in Japan twice a year, but also past visits to local Group companies in South Korea and Saudi Arabia. To be frank, I think that in the past, the boards of directors of many companies had become ceremonial, including Sumitomo Chemical. The number of Outside Directors at Sumitomo Chemical has now been expanded to four (including one woman), making for a highly effective Board of Directors with lively exchanges of views. The time required for meetings of the Board, which once could be finished in under thirty minutes, now often reaches as long as three hours.

* Rotating reports: Comprehensive, systematized reports with a sizeable amount of time set aside for each sector.

Repeated Discussions to Ensure Healthy Risk-taking for Businesses

Yoneda: In order for outside executives to contribute to strengthening governance, it is extremely important for management to understand the role of outside executives. It is only when management and outside executives have a deeply rooted relationship of trust that they can have candid discussions. Each year, when assessing the effectiveness of the Board of Directors at Sumitomo Chemical, we do not simply listen to the report, we hold repeated discussions about it. I think these discussions are extremely sincere, and the assessment of effectiveness has taken root as part of the company's culture.

Ikeda: As you say, without understanding from management, the views of outside executives just become so much noise. Sumitomo Chemical has expanded our opportunities for communication with outside executives, but this is because there is already a relationship of trust with management. For example, last year, at our request, space was created for outside executives to have small-scale informal meetings with the President and Chairman. Based on my own experience of being involved in management, I have proposed the creation of space for frank exchanges of views with management about issues of concern we have as outside executives, before bringing them up as topics of discussion in a board meeting. In recent years, Sumitomo Chemical had several large-scale projects, including major acquisitions and the Rabigh Phase Ⅱ Project in Saudi Arabia. Outside executives have a monitoring and auditing function, but I think an important role for us is not just in criticism, but as cheerleaders for Sumitomo Chemical, boosting the Company's business through repeated discussions of healthy risk-taking aimed at future growth, not bound by the chains of the past. The major acquisitions in the Health & Crop Sciences business and in the Pharmaceuticals business were important projects that could become central pillars of the Company's business in the food supply and healthcare fields, important fields where the Company ought to focus its efforts in the medium and long term, and we discussed these projects thoroughly in meetings of the Board, including the financial side of things. The reason that outside executives with diverse expertise were able to fulfill their function in these projects was because Sumitomo Chemical has the character necessary to take in insights from the varied perspectives of outside executives, and reliably convey those insights to management and the employees on the ground.

Yoneda: As you have said, the true role of the Board of Directors is to create an environment where management can take appropriate risks with regard to important projects that will lead to the growth of the company. We are told that governance reform equals employing the monitoring and auditing function of boards of directors, but governance is not the goal, it is a method for management to advance business and thereby grow the company. At Sumitomo Chemical, we all participate in discussions, whether we are Directors or Corporate Auditors, but we Corporate Auditors in particular can speak to risk management, which provides support for risk-taking.

Koichi Ikeda

The Goal of Governances is not Structure, but the Pursuit of Effectiveness

Ikeda: Sumitomo Chemical is a Company with a Board of Corporate Auditors, but outside Japan, it is more common to have an auditing committee, rather than a board of auditors, as is sometimes seen in Japanese companies with multiple designated committees, such as nominating committees, or companies with audit and supervisory committees. As an Outside Director, I have experience with both types of governance, but it is not necessarily the case that governance will go smoothly if you just switch to a nominating committee or an auditing committee. What is important is not the structure, but strengthening the substance of governance in accordance with a company's characteristics. In the case of Sumitomo Chemical, which pursues synergies between multiple businesses as a diversified chemical manufacturer, by having executive officers who are intimately familiar with the business simultaneously serve as members of the Board, the company is able to utilize its structure as a company with a Board of Corporate Auditors, where auditors can oversee management with significant authority, to strengthen governance in a substantive way. Personally, I feel that for companies like Sumitomo Chemical, which pursue business in an extremely diversified way, it is important for outside executives to exercise their monitoring and auditing functions while getting close with management as a cheerleading team.

Yoneda: Major Japanese companies can choose between three different governance systems*, and I have experience with all of them. Each has its strengths and weaknesses. The choice should not be made based on which is best, but based on a consideration of the actual circumstances of the company's management, and regardless of system, companies need to continue their efforts to strengthen governance. To put forward some benefits of a company with a Board of Corporate Auditors, from my own position as an auditor, I think two benefits are that the Board of Corporate Auditors is an independent institution from the Board of Directors, and that it ensures auditor's ability to gather information because the various Corporate Auditors all have independent authority to audit the company. These are both indispensable elements in enabling the auditors to substantively exercise our functions as Corporate Auditors. In the case of Sumitomo Chemical, the Company is fully utilizing the benefits of being a company with a Board of Corporate Auditors, while at the same time creating a system that enables both the Board of Directors and the Board of Corporate Auditors to fully function by strengthening the monitoring and oversight functions of the Board of Directors in light of the Corporate Governance Code. Because this system of companies with Boards of Corporate Auditors is unique to Japan, overseas investors have expressed the opinion that it is difficult to understand, but in that case it is possible to simply explain the system, so I do not think we need to simply align ourselves with the systems used in Europe and the US, but rather pursue the

The role of an outside executive is to be a cheerleader, supporting business through repeated discussion to ensure healthy risk-taking.

Koichi Ikeda
Outside Director

Governance is not the goal, it is a method for management to advance business and thereby grow the company.

Michio Yoneda
Outside Corporate Auditor

original goal of effective governance.

* Companies with a Board of Corporate Auditors, companies with an audit and supervisory committee, and companies with multiple designated committees (such as a nominating committee).

Ikeda: I agree. I think a lot of Japanese companies, not just Sumitomo Chemical, take the attitude that "as long as we are making a sincere effort, they will understand," but in a sense, that just means that they are not very good at public or investor relations. When we try to expand our businesses globally, explaining things in a way that those outside the company can understand easily, including explaining about our governance systems, becomes an important part of our job.

The Future of Sumitomo Chemical's Governance

Ikeda: As a result of actively investing outside Japan, revenue from outside Japan now makes up more than 60% of our income. In light of this, we are putting more effort into the governance of Group companies outside Japan, and I think further strengthening these efforts will be one of the most important issues for Sumitomo Chemical going forward. At Sumitomo Chemical, we receive reports relating to Group companies from a variety of perspectives, but it is also the case that risks in Group companies outside Japan are relatively high. In order to strengthen our countermeasures, I think it will be important to incorporate diverse perspectives with respect to our governance somehow, rather than just managing things with Japanese ways of thinking.

Yoneda: I think the importance of initiatives to address the SDGs has permeated society as a whole. Sumitomo Chemical is already undertaking a variety of initiatives to resolve issues in society, such as climate change, but for investors, there are still some parts that are difficult to see. Clearly explaining the details of these initiatives to the market and to stakeholders is also an important issue in governance. We need to improve governance not just with respect to the initiatives themselves, but also from the perspective of communicating about them.

Ikeda: In recent informal meetings with just the President, Chairman, and outside executives, I took the opportunity to once again point out the importance of taking healthy risks with regard to how our initiatives to create a sustainable society were being applied in our businesses, and not just treated as social contribution activities. I hope that as we as outside executives continue to share our views going forward, Sumitomo Chemical will examine and steadily expand its efforts to address the SDGs along multiple fronts.

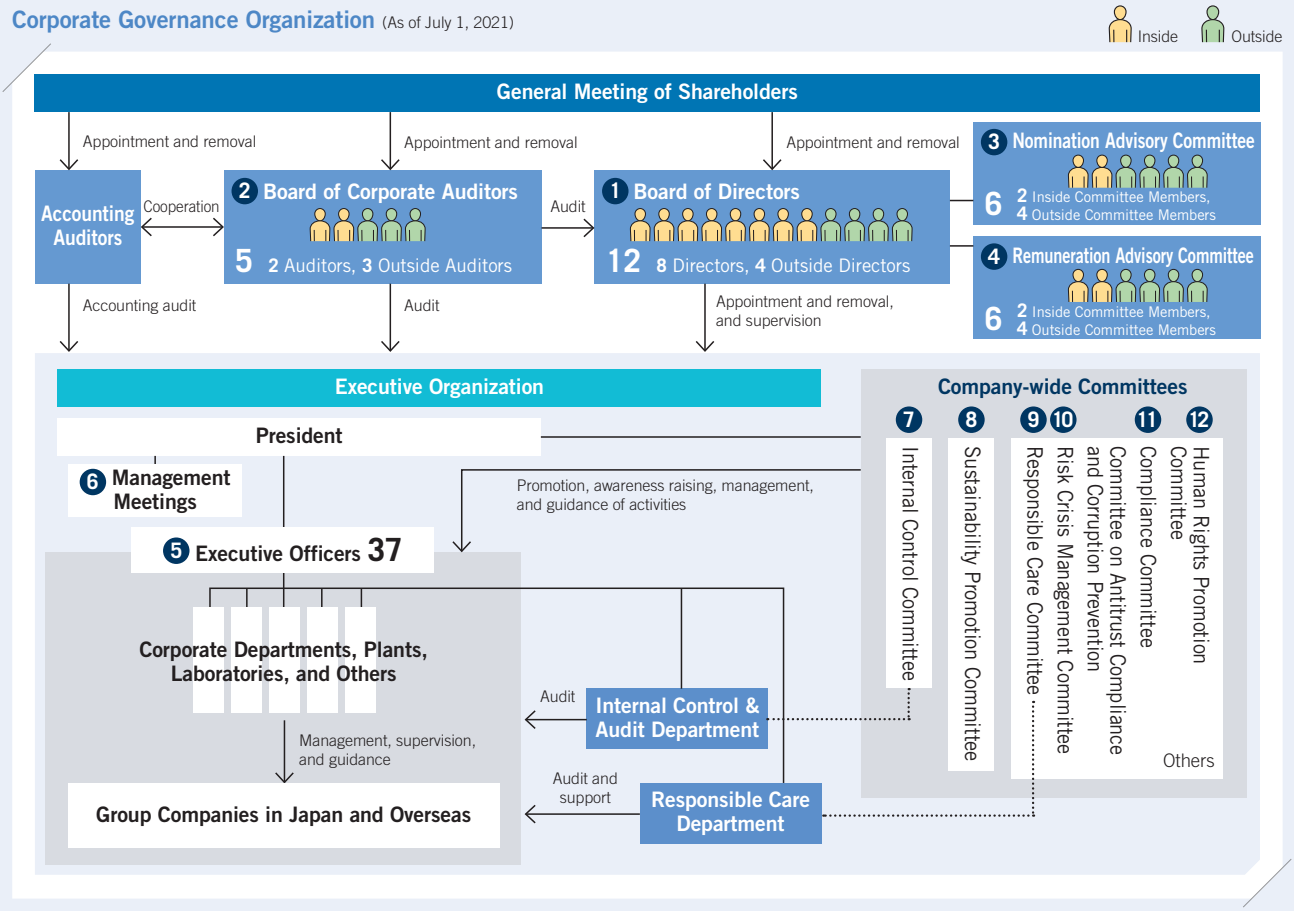
Yoneda: As the times and the business environment continue to change, we ourselves will also need to change in order for the company to continue to grow. I think, however, that our participation as outsiders in these discussions may probably make it easier for the company to change, rather than debating things entirely internally. As an Outside Corporate Auditor, I hope to support those in management who actually implement these measures in taking appropriate risks from a risk management perspective, promoting healthy changes and thereby supporting the growth of Sumitomo Chemical.

Michio Yoneda

Corporate Governance

Sumitomo Chemical has long dedicated itself to improving its corporate governance, and has undertaken a number of initiatives to further that end, including implementing the Corporate Governance Code. The company also makes continual improvements to ensure that the company's governance structures serve their appropriate functions, including with respect to executive nomination and remuneration, and that the Board of Directors is highly effective, with the aim of further improving corporate governance.

Corporate Governance Organization (As of July 1, 2021)



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 1 woman) (increased by 1)	●			
2021	June	Board of Directors consisting of more than 1/3 Outside Directors	●			

Corporate Governance Organization

1 Board of Directors Number of meetings held in FY2020: **13**	**Chairperson:** Chairman of the Board (The Chairman of the Board does not concurrently serve as Executive Officer.) **The term of office of Directors:** One year **Overview:** The Sumitomo Chemical Board of Directors decides management policy, business strategies, and other important matters concerning the company's management, 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, the financial situation, and operating results, and oversees the performance of duties by each Director. 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.
2 Board of Corporate Auditors Number of meetings held in FY2020: **14**	**Constituent members:** 5 Auditors (including 3 Outside Auditors) **Overview:** 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 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.
3 Nomination Advisory Committee Number of meetings held in FY2020: **2**	**Constituent members:** Outside Directors and the Chairman of the Board, and the President **Overview:** An advisory committee of the Board of Directors relating to the selection of senior management*1 and the nomination of Directors and Corporate Auditors. The committee, with a majority of members being Outside Directors, makes recommendations to the Board of Directors when selecting executives, with the aim of ensuring even greater transparency and fairness in executive selection and also clarifying the process of executive selection.
4 Remuneration Advisory Committee Number of meetings held in FY2020: **3**	**Constituent members:** Outside Directors and the Chairman of the Board, and the President **Overview:** An advisory committee of the Board of Directors relating to the remuneration system and remuneration levels for Directors and Executive Officers, as well as other related issues. The committee, with a majority of members being Outside Directors, makes recommendations to the Board of Directors when determining systems for and levels of executive remuneration, among other issues, with the aim of further increasing transparency and fairness.
5 Executive Officers FY2021: **37**	**The term of office:** One year **Overview:** 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.
6 Management Meetings Number of meetings held in FY2020: **24**	**Constituent members:** The Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditors, and the Chairman of the Board **Overview:** As an institution for debating important issues, such as corporate strategy and capital investment, these meetings support decision-making by management.
7 Internal Control Committee Number of meetings held in FY2020: **3**	By debating various measures to build or expand internal control systems, and monitoring their implementation status, this committee is intended to continually improve the internal control systems of the Sumitomo Chemical Group.
8 Sustainability Promotion Committee Number of meetings held in FY2020: **2**	This committee suggests measures to accelerate the Sumitomo Chemical Group's contributions to sustainability, taking in a comprehensive perspective on risks and opportunities with regard to medium- to long-term issues in the environment and society.
9 Responsible Care Committee Number of meetings held in FY2020: **1**	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.
10 Risk Crisis Management Committee Number of meetings held in FY2020: **7*2**	This 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.
11 Compliance Committee Number of meetings held in FY2020: **1**	This 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.
12 Human Rights Promotion Committee Number of meetings held in FY2020: **1**	This committee promotes increasing awareness of human rights issues, and drafts and executes policies to respect human rights in the entire value chain including Sumitomo Chemical Group.

*1 Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.
*2 The number of meetings increased as we deliberated on preventive measures for the COVID-19 pandemic.

Efforts to Substantively Strengthen Corporate Governance

Changes in the Method of Operation of the Board of Directors

In FY2015, Sumitomo Chemical drastically reconsidered its various policies relating to the method of operation for the Board of Directors and corporate governance with the major aims of further strengthening the monitoring functions of the Board and further improving the transparency and objectivity of management, among other goals. At the time, a great deal of emphasis was placed on maximizing the use of the functions of Outside Directors and Auditors, so a variety of measures were considered to achieve this, centered on the thought that it would be essential to address the information asymmetry between internal executives and Outside Directors and Auditors. As a result of the numerous improvements made each year since then, meetings of the Board of Directors, as well as the operation of various related meetings before and afterwards, follow the procedures laid out in the table below.

A few days prior to the Board of Directors meeting

Advance briefing

Day of the Board of Directors meeting

Board of Directors * Standard flow

9:00	Resolutions
10:00	Reports
	● Head office monthly report
	● Business sector monthly report
	● Report on important proposals
11:15	Rotation report
12:00	End

More than 2/3 of the time in meetings of the Board of Directors is used for discussions.

Upon completion of the Board of Directors meeting

Meetings

Expanded Advance Briefings for Outside Directors and Auditors, Organic Coordination with the Board of Directors

- The roles of advance briefings and meetings of the Board of Directors have been clarified, ensuring sufficient time for discussion in the Board of Directors meeting
- The content of advance briefings, including points of discussion, are reflected in the deliberations of the Board of Directors

Report on the Summary of Internal Discussion at a Management Meeting

- Report the summary of discussions held in internal meetings for important agenda items and how the views expressed in those discussions are reflected in the agenda items

Report to BOD before Deciding on a Major Proposal

- For important agenda items, such as the management direction, M&A, and other major projects, reports (including progress reports) are made to the Board of Directors from the early stages of consideration so that they can reflect the Board's intentions

Each Sector Sets Aside a Block of Time to Make Comprehensive and Systematic Reports

- Assign a sector to make a report on the overview of business, strategy, and the progress of various measures and R&D. (Main sectors of the Head Office are also subject to the assignment.)

Opportunities for Informal Discussions

- Meetings for Outside Directors and Auditors only (twice a year)
- Social meetings of Outside Directors and Auditors with internal executives (several times a year)
- Meetings for Outside Directors and Auditors and main sectors (6 times a year)

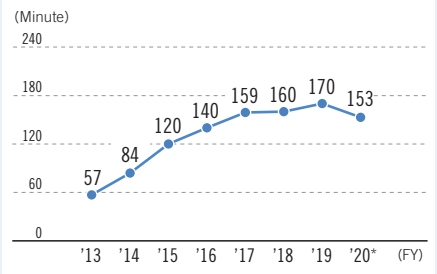
Visits to Production Sites

- Outside Directors and Auditors visit to our business offices, and Group companies outside Japan (twice a year)

* Tours of Group companies outside Japan have been postponed due to the spread of COVID-19

Through this sort of efforts for improvement, the Board of Directors has grown more active each year, and the amount of time required for their meetings is steadily increasing.

Average Length of Board of Directors Meetings



* Meeting length decreased in FY2020 due to streamlined and efficient operations to prevent the spread of COVID-19

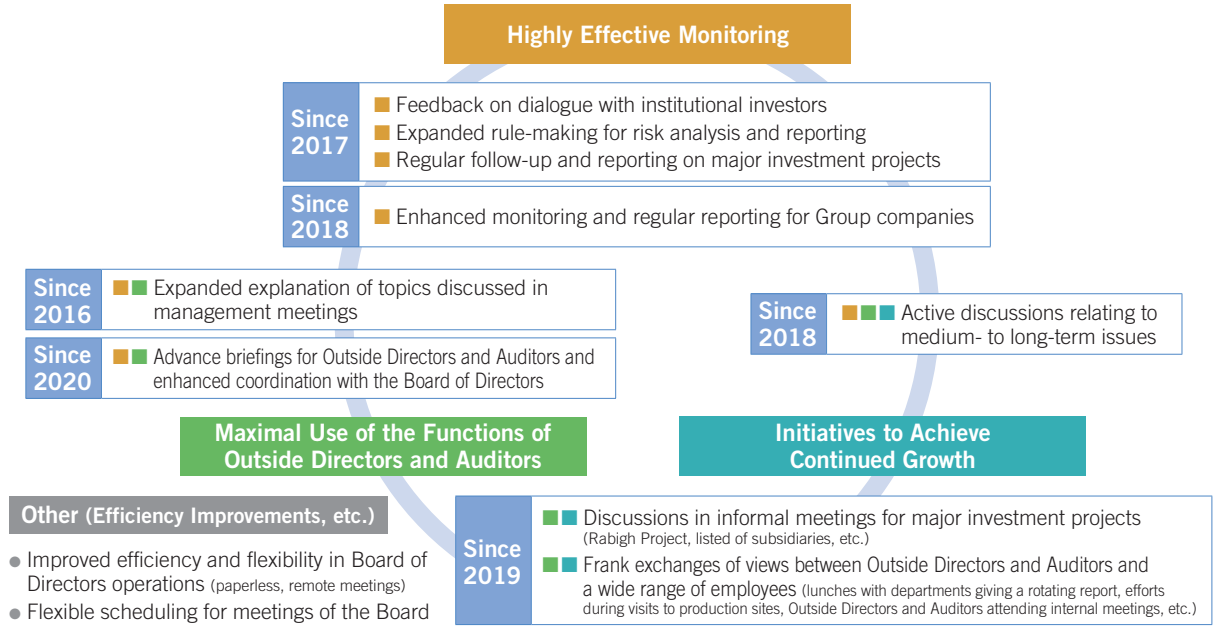
Utilizing the Oversight and Advisory Functions of Outside Directors and Corporate Auditors

Outside Directors and Auditors have expressed the view that meetings of Sumitomo Chemical's Board of Directors feature free, frank, constructive, and lively debates. In the meeting of Board of Directors as well as informal meetings of Outside Directors and Auditors relating to the assessing the effectiveness of the Board of Directors, Outside Directors and Auditors pointed out a number of issues, and made recommendations on topics such as the method of operation for the Board of Directors, the support system for Outside Directors and Auditors, and a range of policies to improve corporate governance. Some specific examples are described below.

Case 1	Discussions in Informal Meetings	Once, when a particular project required important decisions to be made, Outside Directors and Auditors had expressed a desire to hear the honest views of management, so an informal meeting was set up. As a result of unreserved exchanges of views in this meeting, Outside Directors and Auditors were able to align their views with those of company executives with respect to the project, which also made discussions at the subsequent meeting of the Board even more lively, leading to appropriate management decisions. Since this project, opportunities have been created for discussions in informal meetings as necessary.
Case 2	Follow-up on Major Projects and Monitoring of Group Companies	When the Board of Directors received a report that an investment project that had been decided on by the Board was not proceeding according to plan, Outside Directors and Auditors pointed out the importance of more timely reporting and of discussing such issues. Since then, the company has adopted a stance of reporting negative information as soon as possible, strengthening efforts to follow-up on major projects and monitor Group companies.
Case 3	Improving the Efficiency of Meetings of the Board of Directors	Outside Directors and Auditors who also serve as executives for other companies provided members of the Board with information on efforts to enhance IT for the Boards of Directors of other companies, which led to a reconsideration of operational methods for the Board of Directors, resulting in the deployment of a paperless meeting system and the creation of an environment for remote attendance. This has not only improved the efficiency of tasks such as preparing for meetings of the Board, it has also made it possible to hold meetings more flexibly.
Case 4	Interaction with Employees	In light of a desire of Outside Directors and Auditors for dialogue with employees across a wide range of levels, the company has taken a variety of measures, including informal meetings with business units, and creating opportunities for presentations from young employees during visits to production sites. By listening to the unfiltered voices of employees, this not only has the effect of providing Outside Directors and Auditors with an even deeper understanding of the company, it also leads to increased motivation on the employee side, among other effects.

There are any number of other cases where the company's efforts were advanced by explicit or implicit suggestions from Outside Directors and Auditors, and their monitoring and advisory functions has been a driving force for continually strengthening corporate governance at Sumitomo Chemical.

Example Initiatives Based on Recommendations from Outside Directors and Auditors



Corporate Governance

Assessing the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is assessed in terms of its composition, operational status, deliberation/reports at its meetings, auditing status on its business execution, and the operations of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee. The company conducts surveys of each Director and Auditor about their assessing the effectiveness of the Board of Directors. Based on the results of these surveys, there is then a frank exchange of views in meetings of the Board of Corporate Auditors, in informal meetings with Outside Directors and Auditors, and in management meetings, after which the Board of Directors then conducts a review of its own effectiveness in one of its meetings based on the views expressed in the prior meetings.

Improvements over Fiscal 2019 and Assessment of Fiscal 2020

In light of the results of the effectiveness evaluation for FY2019, discussions focused on improvements were held in meetings of the Board and in informal meetings, held in FY2020, with respect to the following major topics.

- ☐ Accelerating initiatives aimed at digital transformation and creating innovation
- ☐ Creating structures for formulating carbon neutral strategy and for promoting the plastic recycling business
- ☐ The current status of major investment projects, such as the Rabigh Project and the acquisition of crop protection businesses in South America, and future initiatives
- ☐ The state of operations at listed subsidiaries, and a rethinking of diversity and ways of working

As a result of these initiatives, in the effectiveness evaluation for FY2020, the Board confirmed that it has realized steady improvements each year in each area and that their effectiveness was at a good level overall.

Initiatives for the Future

The Board of Directors is undertaking the following initiatives with the aim of further increasing its effectiveness going forward.

- ☐ Working to further invigorate discussions in meetings of the Board by allocating time to put greater weight on important topics and expanding both reporting and discussion with respect to progress updates for major investment projects
- ☐ Aiming to further strengthen Group-wide governance through a variety of measures, including the use of digital technology and thorough reviews of such systems as internal controls, compliance, and responsible care
- ☐ Further expanding initiatives such as information disclosure and dialogue with shareholders and investors in order to ensure that the corporate value of Sumitomo Chemical is more accurately evaluated

Policies and Procedures for Reshuffling Senior Management and Nominating Candidates for Directors and Corporate Auditors

Appointment Policy

- ☐ Performance, knowledge, experience, personality, and the insight of a candidate are comprehensively considered from the standpoint of having “the right person in the right place,” as well as ensuring a proper and prompt decision-making process, so as to select a person suitable for the respective duties.
- ☐ According to the criteria set forth by the company, the person who has reached a certain age set for retirement will resign, in principle, upon completion of his or her tenure.
- ☐ For the nomination of candidates for outside directors and outside auditors, if a candidate also serves as an executive officer of other listed companies, the number of these companies must be less than five, including our company. This rule is to ensure that the candidate can properly fulfill his/her responsibility as our Director or Corporate Auditor.

Appointment Procedures

Candidates Selected by Representative Directors	● Representative Directors select candidates suitable for the positions of senior management, Directors and Corporate Auditors in accordance with the above Policies.
Discussion by the Nomination Advisory Committee	● The results of the nomination will be deliberated at the Nomination Advisory Committee, and recommended to the Board of Directors.
Decision by the Board of Directors	● The Board of Directors will deliberate based on the advice and make a decision.

Dismissal Policy and Procedures

- ☐ The Board of Directors will deliberate and decide on its response if senior management commits a wrongful, inappropriate, or treasonous act, or if there is a cause that is deemed unsuitable to be committed by a member of senior management.

Remuneration*

* Remunerations of Executive Officers are determined in the same manner.

1. Basic Policy for Remunerations of Directors, etc.

(1) The remunerations 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 amount 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) The 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 whether or not to be objectively appropriate.

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 where the Basic Compensation level would be changed in the event where 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 the 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 by 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) to the amount of bonuses, the Company will apply the combined value of consolidated core operating profit and financial profit and loss to the performance indicator concerning 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.

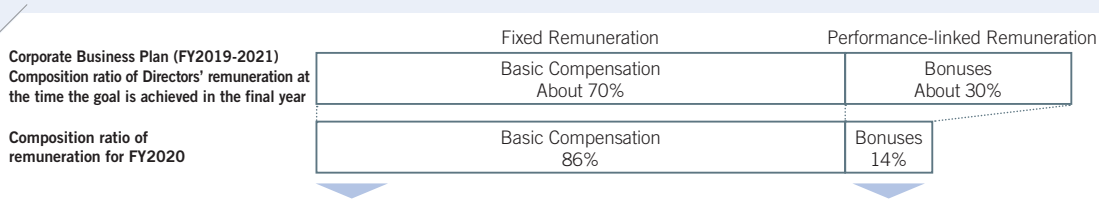
(3) Percentages of Fixed Remuneration (Basic Compensation) and Performance-linked Remuneration (Bonuses)

The Company will design the bonus calculation formula so that the bonuses of Directors (excluding Outside Directors) accounts for roughly 30% of the remuneration when the consolidated performance goal (core operating profit) for the latest fiscal year of the mid-term management plan (fiscal years 2019 to 2021) is achieved.

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 of a total remuneration prescribed by resolution of the 125th General Meeting of Shareholders, held on June 23, 2006 (i.e. 1 billion yen or less per year). The Board of Directors shall deliberate on and decide the method of determining remunerations of Directors, etc., based on the advice from the Remuneration Advisory Committee. Furthermore, the specific amount of remuneration for each Directors etc. shall be determined by the Director and Chairman, Masakazu Tokura, authorized by the Board of Directors, based on the standard advised from the Remuneration Advisory Committee, which is a consultative body of the Board of Directors. This is because the Company believes that determining the specific amount of remuneration for each Director, etc. does not fit into the discussions and deliberations of the Board of Directors, and it is more appropriate for Director and Chairman, who serves as the chairman of the Remuneration Advisory Committee and the chairman of the Board of Directors and is in a position to overview the entire Company, to make decisions based on the purpose of policies for determining compensation, etc. and deliberations and opinions of the Remuneration Advisory Committee. To ensure that the authority to determine the amount of remuneration for each Director, etc. is appropriately exercised by Director and Chairman, the Board of Directors' policies provide that Director and Chairman shall determine the amount of individual remuneration for Directors based on the standard suggested by the Remuneration Advisory Committee as being consistent with the Company's policy for determining remuneration, etc. As Director and Chairman determines the individual remuneration amount based on this standard, the Board of Directors has concluded that the content of the individual remuneration is in line with the determination policy.

Conceptual Diagram of the Remuneration of Directors and Remuneration Ratios for FY2020 (Excluding Outside 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

(Note) 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	Consolidated performance indicator × Coefficient*

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

(Note) If a consolidated performance indicator does not exceed a particular level, bonuses will not be paid.

Directors' and Corporate Auditors' Remuneration (FY2020)

(Millions of yen)

Title	Number of people	Amount of Remuneration and Other Compensation	Amounts of Remuneration and Other Compensation by Type	
			Basic Compensation (Fixed Remuneration)	Bonuses (Performance-linked Remuneration)
Directors (Of which, Outside Directors)	14 (4)	702 (68)	606 (60)	96 (8)
Corporate Auditors (Of which, Corporate Outside Auditors)	5 (3)	116 (37)	116 (37)	—
Total	19	818	722	96

(Note) The numbers of people and the amounts of remuneration and other compensation listed above include one Director who retired during this fiscal year.

Listed Company with Listed Subsidiaries

Our Thinking Regarding Listed Companies with Listed Subsidiaries

For a publicly listed subsidiary, the advantages of being publicly listed include better employee morale, enhanced ability to recruit employees, greater trust from customers, and greater influence within the industry. In addition, the parent company can expect to benefit from synergies in collaboration and cooperation with its subsidiaries. Because of these benefits, in seeking to maximize the overall corporate value of the Sumitomo Chemical Group, we think that holding listed subsidiaries is one of the effective options on premise of preserving each subsidiary's autonomy and respecting the rights of minority shareholders.

For the publicly listed subsidiaries in Japan of the Sumitomo Chemical Group, because they play an important role in our management strategy, we are not thinking of selling them at present. On the other hand, as for converting them into wholly owned subsidiaries, while we always keep it in mind as one option, it is not a high priority because, in addition to not being able to enjoy the benefits of having listed subsidiaries, the financial burden of buying out the holdings of minority shareholders would be significant. Accordingly, at the present time, we think that, from an overall perspective, keeping these subsidiaries as publicly listed subsidiaries is the optimal position. We are constantly monitoring our relationship with each listed subsidiary and, in accordance with the Sumitomo Chemical Group's management strategy and changes in our operating environment, considering changes, including in our shareholdings.

The Significance of Being a Listed Companies with Listed Subsidiaries

Company Name	History	Position in Group	Synergies
Sumitomo Dainippon Pharma Co., Ltd.	Sumitomo Chemical's pharmaceutical business began with the acquisition of the Japan Dyestuff Manufacturing Company in 1944. After being spun off as the subsidiary Sumitomo Pharmaceuticals in 1984, it merged with Dainippon Pharmaceutical in 2005 to become Sumitomo Dainippon Pharma.	The company's core pharmaceuticals business is a pillar of Sumitomo Chemical's life sciences business, along with the agricultural chemicals business, and is a source of innovation. In the current Corporate Business Plan, it has positioned "healthcare" as one of the priority areas in making efforts for acceleration the development of next-generation businesses, and further innovation is expected in this area in the future.	• Research at the Bioscience Research Laboratory, which consolidates and integrates parts of the research organizations of the company and Sumitomo Chemical • Contract Development and Manufacturing Organization in regenerative medicine and cell therapies (combines the company's expertise in regenerative medicine and cell therapy with Sumitomo Chemical's expertise in the CMO business) • Theranostics (combines the company's antibody design technology with Sumitomo Chemical's biological mechanism analysis technology and the radioactive isotope technology of Nihon Medi-Physics) • Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses
Koei Chemical Co., Ltd.	Sumitomo Chemical invested capital in 1951 for relationship-building because the company was Sumitomo Chemical's largest customer for methanol. Thereafter, when the company ran into a financial crisis, the collaboration was strengthened in order to rebuild the company, including dispatching executives from Sumitomo Chemical.	Through production outsourcing in both directions for such items as catalysts and electronic materials based on the unique organic synthesis technologies of the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	• Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredient and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach • Joint research from the earliest stage into such areas as battery materials and additive agents • Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses
Taoka Chemical Co., Ltd.	In 1955 Sumitomo Chemical invested capital in the company, a leader in the dye business, to strengthen its own dye business.	Through production outsourcing in both directions for such items as electronic materials and pharmaceutical and agrochemical intermediates based on the various organic synthesis technologies and numerous multi-plants held by the company, the company has contributed to the expansion of the Sumitomo Chemical Group's business in the field of fine chemicals.	• Expanded contract manufacturing of pharmaceutical and agrochemical intermediates with numerous multi-plants of the company
Tanaka Chemical Corporation	Sumitomo Chemical invested capital in the company in 2013 and began joint development of high-capacity cathode materials for automobiles. Afterwards, in light of the smooth progress in joint development work, and in light of expectations that, in line with the future growth of the environmentally friendly vehicles market, there would be significant medium- to long-term growth in the market for lithium-ion secondary batteries, the company was converted to a majority-owned subsidiary in 2016.	Through integration of the technologies relating to precursors held by the company and the findings related to cathode materials held by Sumitomo Chemical, the company accelerates joint development of new products and contributes to the full-scale market entry and expansion of the Sumitomo Chemical Group's cathode materials business.	• Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies. • Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control

Building an Effective Governance System

When Sumitomo Chemical and its listed subsidiaries jointly work on maximizing group synergy, Sumitomo Chemical respects independent decision making by listed subsidiaries and, at the same time, makes its best efforts to establish an effective governance system in order to avoid any conflicts of interests with minor shareholders.

With respect to the listed subsidiaries, we are taking the following measures to ensure appropriate supervision of such areas as transactions with the parent company and nomination of officers and remuneration of officers, from an independent and objective position.

- Electing sufficient number of Independent Outside Directors
- Establishing committees for nomination of officers and remuneration of officers, the majority of the members of which are Independent Outside Directors.
- Establishing and reliably operating committees, which aim to monitor and supervise transactions conducted between subsidiaries and the parent company and which is composed of Independent Outside Directors only.

Design of the Organization, Composition of Independent Outside Directors and Establishment of Non-mandatory Committees in Each Company

Company Name	Design of Organization	Composition of the Board: Ratio of Outside Directors	Non-mandatory Committees Established: Nomination/Remuneration	Non-mandatory Committees Established: Monitoring and Supervision of Such Areas as Transactions with the Parent Company
Sumitomo Dainippon Pharma Co., Ltd.	Company with Board of Corporate Auditors	44% (4/9)	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Koei Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33%(3/9)	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Taoka Chemical Co., Ltd.	Company with Audit and Supervisory Committee	33% (4/12)	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies
Tanaka Chemical Corporation	Company with Audit and Supervisory Committee	57% (4/7)	Nomination Remuneration	Supervising for Conflict of Interests Arising from Transactions Conducted among Group Companies

TOPIC Engagement with Investors on the Topic of Listed Companies with Listed Subsidiaries

Date: Wednesday, January 13, 2021
Presenter: President

Participated Investors: 7 companies (organized by the Institutional Investors Collective Engagement Forum)

- Sumitomo Mitsui Trust Asset Management Co., Ltd.
- Meiji Yasuda Asset Management Company Ltd.
- Resona Asset Management Co., Ltd.
- Sumitomo Mitsui DS Asset Management Company, Limited
- Pension Fund Association
- The Dai-ichi Life Insurance Company, Limited
- Mitsubishi UFJ Trust and Banking Corporation

We held a meeting to engage with the seven institutional investors listed above on the topic of listed companies with listed subsidiaries. Prior to that meeting, we met with outside directors and auditors to exchange views on this topic. We think this meeting was an important opportunity to deepen our understanding of our respective views on listed companies with listed subsidiaries. We will continue to fulfill our responsibility for accountability.

Cross-Shareholdings

We strategically hold shares in other companies only when judged necessary for ensuring smooth business operation or maintaining and enhancing mutual business relations, after such factors as medium- to long-term economic rationality and prospects of future business developments have been considered as a whole. Also, at the Board of Directors meeting, each year, we shall assess its shareholding policy for all listed shares it owns, in light of mid- to long-term economic rationality and significance to hold such shares for each individual issuer. According to such review, if it becomes less necessary to hold a share by reason of changes in the business environment, etc., we shall sell such shares, as appropriate, taking into consideration such factors as the share price and market trends.

In accordance with a rise in the Nikkei Stock Average*, the value of our cross-shareholdings rose, resulting in an increase in the balance of cross-shareholdings at the end of the fiscal year in comparison with the prior fiscal year, but as can be seen in the table on the right, continuing from the prior year, we sold a portion of these shareholdings in fiscal 2020.

* The Nikkei Stock Average: 18,917 yen on March 31, 2020, versus 29,179 yen on March 31, 2021

Trend in Sales of Cross-Shareholdings*1

(Billions of yen)

	FY2019	FY2020
Number of shares*2	7	11
Value of shares sold	5.1	13.0

Balance of Cross-Shareholdings*1 at End of Period

(Billions of yen)

	FY2019	FY2020
Number of shares	58	54
Total value recorded on the balance sheet	85.5	97.8

*1 Excluding shares of unlisted companies
*2 Including partial sales of cross-shareholdings

Internal Control

Basic policy for Enhancement of the Internal Control System ▶ Our Website

Status of the Development of the 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. Regular meetings of the committee are held three times a year.

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 (plan-do-check-act) 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, so that the Group's internal control system can function effectively.

The Standing Corporate Auditors attend the committee as observers, and the committee's operations are conducted by the Internal Control & Audit Department, independent of 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.

The Internal Structure regarding 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. In case any serious matter relating to internal controls is found, the matter will be promptly reported to Executive Officers and Standing Corporate Auditors on the reporting line.

❶ Internal Audits

Department Conducting the Audits	Internal Control & Audit Department
Objective of Internal Audit	Evaluate whether internal controls are in place, operating, and functioning appropriately from various perspectives, including maintaining the effectiveness and efficiency of operations, ensuring the reliability of financial reporting, and complying with relevant laws and statutes in all business activities
Audit Cycle	In principle, once every 2-5 years* for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported to the Internal Audit Liaison Meeting (Held regularly, four times a year, attended by Standing Corporate Auditors and a number of departments, including the Legal Department, the Human Resources Department, the Accounting Department, and the planning & coordination offices of each business sector) ● Reported to the Internal Control Committee (Held regularly, three times a year)

❷ Responsible Care Audits

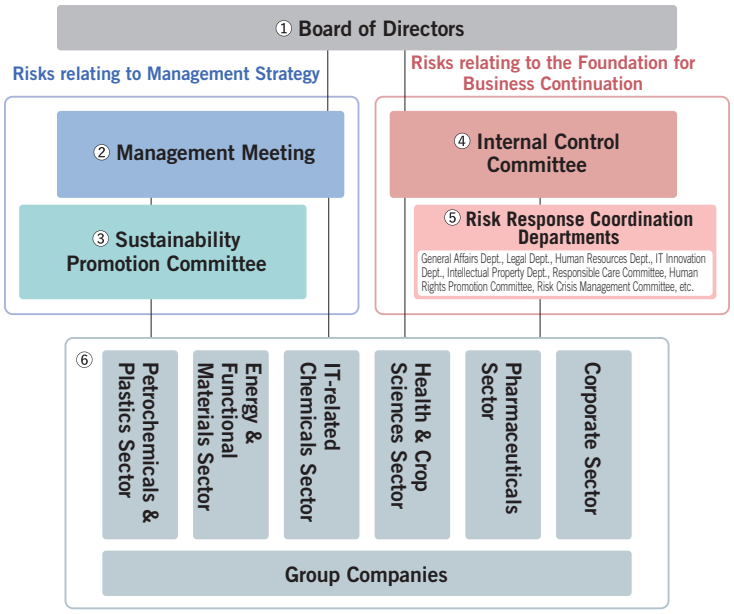
Department Conducting the Audits	Teams of dedicated auditors from the Responsible Care Department
Objective of Internal Audit	Evaluate whether internal controls relating to securing safety, the environment, and health, as well as maintaining and improving quality for all chemical products over their lifecycle, are in place, operating, and functioning appropriately.
Audit Cycle	In principle, once every 1-3 years* for each separately audited unit
Sharing of Audit Results and Status of Improvements	● Reported internally as necessary ● Reported to the Responsible Care Committee (Held regularly, once a year)

* In cases where in-person audit fieldwork was difficult due to COVID-19, the company endeavored to maintain the auditing cycle using remote audits.

Risk Management

Risk Factors ▶ Our Website

Diagram of Systems for Promoting Risk Management



① Board of Directors
The Board ensures the effectiveness of risk management by deliberating and supervising the activities of the Internal Control Committee and important matters deliberated in the Management Meetings.

② Management Meeting
Concerning important matters for management, including management strategy and capital spending for each organization of the Group, it deliberates in terms of risks and opportunities.

③ Sustainability Promotion Committee
This committee makes necessary recommendations to various Group organizations in order to achieve sustainability for both the company and society, taking into consideration the perspectives of both risks and opportunities with respect to medium- to long-term environmental and societal issues.

④ Internal Control Committee
This committee deliberates policies relating to risk management for the Group as a whole, and audits the efforts of various organizations based on these policies. It also promotes risk countermeasures relating to the foundation for business continuation.

⑤ 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.

⑥ Each Department and Group Company
The main bodies for promoting risk management. The organizations develop and implement countermeasures for the risks affecting their own organization or company.

To achieve sustainable growth, Sumitomo Chemical makes an effort to detect, at an early stage, various risks that may hinder the achievement of its business objectives, and takes proper measures. We focus on building and expanding a system relating to risk management so that we can promptly and properly address risks when they emerge.

Systems for Promoting Risk Management

At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees coordinate to promote risk management from the perspective of the Group as a whole, aiming to thoroughly support the efforts of each organization within the Group.

The Internal Control Committee sets policies relating to risk management for the Group as a whole and monitors the efforts of each organization in accordance with those policies, collecting risk-related information and evaluating it, among other tasks. This committee creates a risk map for the Group as a whole each year, aiming not only to comprehensively capture the status of risks relating to management strategy and the foundation for business continuation, but also to coordinate with risk response coordination departments, promoting countermeasures for important risks relating to the foundation for business continuation, such as earthquakes, workplace accidents, and product-related accidents, on a Group-wide level.

On the other hand, Management Meetings are held as appropriate to deliberate important topics relating to management (P32: Progress in Corporate Business Plan), particularly management strategy for the company and the Group, capital expenditure, and other investments, from the perspectives of both risks and opportunities. Furthermore, the Sustainability Promotion Committee makes necessary recommendations to various organizations in the Group so as to ensure that the various management activities of the Group contribute to achieving sustainability for the company and society (P26: Sustainability at Sumitomo Chemical), evaluating medium- to long-term environmental and societal issues from the perspectives of both risks and opportunities.

Summaries of the matters covered in the Internal Control Committee and important matters deliberated in the Management Meetings are reported to the Board of Directors.

Cross-organizational Risks and Crisis Response

We established the Risk 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.

Compliance

For details of our efforts ▶ The "Compliance" page of our website

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.

(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

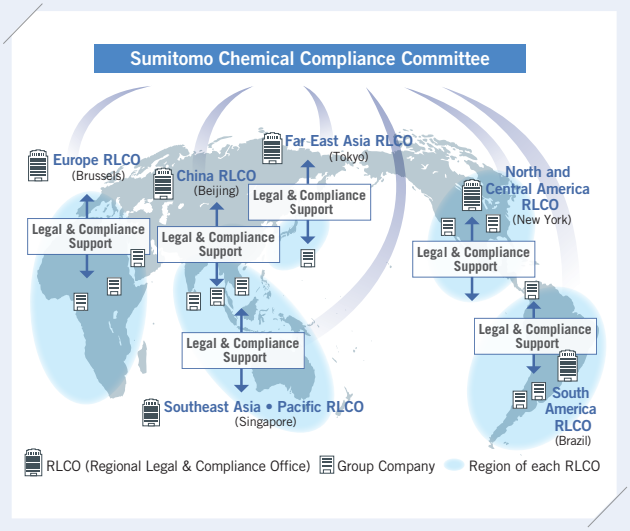
(4) Internal Reporting System (Speak-Up Reporting System)

In order to detect any compliance violations as early as possible, or prevent them before they occur, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up Reporting System), which allows the following persons to report a compliance violation or a suspected violation upon uncovering it directly to the Compliance Committee or to external lawyers, either by identifying oneself or anonymously: management executives and company employees (including contract employees), their family members, management executives or employees of Group companies, their family members, or those who retired from the Company or its Group companies and their trading partners, and all those who are involved in any of the Group's businesses. The entire Sumitomo Chemical Group has been promoting the use of the Internal Reporting System. As a result, there were 135 reports filed throughout the Sumitomo Chemical Group in fiscal 2020. Reports and compliance violations are reported to the Board of Corporate Auditors on a regular basis.

Whistleblowing Compliance Management System

Sumitomo Chemical has become a registered company under Japan's Whistleblowing Compliance Management System certification ("WCMS Certification") regime, through the regime's "self-declaration of conformity" process, effective as of December 11, 2020.

Compliance System at Sumitomo Chemical Group



Responsible Care

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 severe accidents across all workplaces, as per the basic principle of "Making safety our first priority." To this end, we have ramped up our efforts to ensure safety by communicating thoroughly to make sure everyone observes the Safety Ground Rules, which are common to all Group employees, evaluating and improving the level of safety culture in workplaces, raising the level of safety management with the use of IoT technology, and reviewing and reinforcing natural disaster prevention measures. Through dialogues with residents in the region, we explain to neighboring residents our efforts to ensure safety, and work to deepen our mutual understanding.

Environmental Protection

Environmental Protection Activities Rooted in Local Communities

The Sumitomo Chemical Group has set common targets for environmental conservation and is working to reduce environmental impact throughout the Group. Specifically, we have set goals in each field, such as conservation 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 conservation 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 life cycle, 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 annual 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

Status of Dialogues with Local Communities for FY2020
(Sumitomo Chemical's Business Locations Only)

Number of Dialogues Held	3	Number of Participants	18

Due to the impact of COVID-19, the majority of meetings were postponed.

A local dialogue
(This photo shows a local dialogue conducted before the spread of COVID-19)

▶ The "Occupational Safety and Health, Industrial Safety and Disaster Prevention" page of our website

Performance Targets and Results for FY2020
(Sumitomo Chemical's Production Plants Only)

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	90.2% 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	92.6% reduction compared to fiscal 2000

▶ The "Environmental Protection" page of our website

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 risk assessments for all substances in our initial plan, and published safety summaries for 58 substances.

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.

▶ The "Product Stewardship, Product Safety, and Quality Assurance" page of our website

Respect for Human Rights

Our Position on Human Rights

Sumitomo Chemical regards respect for human rights as part of the foundation for its business continuation. We are continuing to make a Group-wide effort to address this as a critical management issue, and provide disclosures on our measures and progress. In 2019, we formulated the Sumitomo Chemical Group Human Rights Policy, based on the United Nations Guiding Principles on Business and Human Rights, and established the Human Rights Promotion Committee. Since then, under the initiative of this committee, our Group has come together to undertake measures to respect human rights across the value chain.

Sumitomo Chemical Group Human Rights Policy ▶ Our Website

Human Rights Due Diligence

In order to respect human rights in our business activities, the Sumitomo Chemical Group has built systems for human rights due diligence based on the guiding principles. If it is discovered through our human rights due diligence that any negative impacts on human rights are occurring because of our Group's business activities, or have been fostered by the Group's business activities, we will redress or resolve those incidents through the appropriate procedures, in collaboration with related stakeholders.

Approach to Our Human Rights Due Diligence Efforts

Under our approach to evaluating and reducing human rights risks, not only for Sumitomo Chemical itself and its supply chain, but also for Group companies inside and outside of Japan and their supply chains, we set priorities based on potential human rights risks, and implement our efforts in steps. With the collaboration and advice of outside experts, our Group's human rights due diligence is conducted in the following sequence.

	Efforts in FY2020	Plans for Efforts in FY2021
Detailed Investigations in the Sumitomo Chemical Group	Detailed investigations were conducted for 30 Group companies that were identified to have relatively high human rights risks through the FY2019 human rights risk group assessment. ☑ **Document Inspection – Targets: 26 companies, in locations including China, India, Thailand, and Japan** Under the four categories: Society, the Environment, Health & Safety, and Governance, questionnaires were sent and answers were collected. The companies were asked whether they conducted any business activities with high human rights risks and about the implementation status of risk mitigation measures. ☑ **On-site Inspection – Targets: 4 companies total, in China, Thailand, and Tanzania** For the Group companies identified to have particularly high human rights risks, outside experts were appointed to conduct inspections including reviewing documents such as employment and wage regulation documents, conducting interviews with local employees (including temporary employees), and inspecting the work environment. As a result of these inspections, the following issues were discovered. ● Our requirements for suppliers with respect to human rights and labor conditions are not explicitly included in our processes and standards when evaluating suppliers. ● There is once again a need to thoroughly inform all employees of our Group's human rights policies, and to conduct training and other exercises to promote this understanding.	Investigations in fiscal 2020 did not find any incidents that had a major negative impact on human rights, but for other findings, additional investigations will take place looking into the facts and backgrounds of each cases with preventative and corrective measures. In addition, insights gained from the investigations will be shared throughout the Group, leading to a further reduction in risks. We will also continue to conduct awareness activities, particularly training, to further deepen each Group employee's understanding of human rights.
Efforts related to High-risk Raw Materials	In accordance with the Sumitomo Chemical Group Policy for Responsible Procurement of Minerals and Raw Materials, we began an investigation into the usage status of raw materials that have a high risk of creating negative impacts on human rights in their supply chains (high-risk raw materials) in the Sumitomo Chemical Group, in order to prioritize conducting due diligence of those suppliers.	We will continue to first request reports in accordance with the standards of the Responsible Minerals Initiative from suppliers who handle high-risk raw materials, then proceed with our risk assessments.
Inclusion of Human Rights Provisions in Contracts	We have formulated contract provisions that request understanding of and cooperation with our efforts to respect human rights, and have begun including them in our contracts with our business partners, including raw material suppliers, logistics providers, and contract manufacturers.	We will not only continue to sign contracts that include these human rights provisions, we will also respond in line with the procedures defined in these human rights provisions when negative impacts on human rights occur in our supply chain, or under the apprehension that such an impact has occurred.
Sustainable Procurement Efforts	In fiscal 2020 in order to have a coherent understanding of the ESG risks in raw material procurement processes throughout our supply chain, we confirmed the status of our initiatives by sharing the Sumitomo Chemical Group Sustainable Procurement Guidebook with our major business partners, and collected the checklist filled out by each company. The results showed that 86% were considered sustainable procurement. (the sustainable procurement ratio), (as of March 31, 2021).	We will continue our efforts to ensure sustainable procurement, and continue to assiduously check the status of respect for human rights at our business partners, including whether or not they conduct any business activities with high human rights risks and the status of their implementation of risk mitigation measures.

Sumitomo Chemical Group Policy for Responsible Procurement of Minerals/Raw Materials ▶ Our Website

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

Due to the spread of COVID-19, there were significant changes to IR activities in fiscal 2020, which had previously been conducted largely face-to-face. In addition to losing the opportunity to visit institutional investors outside Japan in person, events that needed to be conducted on-site, such as tours of plants for institutional investors and analysts, were necessarily cancelled. At the same time, in our briefings and other meetings, we worked hard to ensure the quality of communication while taking advantage of the benefits of remote meetings, conducting hybrid meetings that combined remote and in-person attendance while taking due care to prevent the spread of infection.

In these circumstances, in terms of briefings held by management, we not only held a business strategy briefing led by the president, which is held every year, we also held both an IR Day and an ESG Meeting for the first time. At the IR day, in addition to a presentation on management strategy by the president, there were also business strategy presentations by the heads of the various business sectors, including the Pharmaceuticals sector. At the ESG Meeting, the president first gave a presentation on our company's sustainability efforts, followed by presentations by the executives in charge of specific issues relating to the environment, society, and governance.

We have typically held a few small meetings each year where executives in charge of business sectors or headquarters departments exchange views directly with investors and analysts, and by giving management an opportunity to hear the views of investors and analysts directly, these meetings have given rise to constructive conversations about the issues facing our company and our future goals, deepening mutual understanding year after year.

In addition, we have been holding online company briefings for individual investors, working to help these many private investors have a deeper understanding of our company.

IR Day (November 2020)

Summary of IR Activities (FY2020)

Briefing Sessions

	Times Held	Attendees
Current priority management issues and business strategy	1	305
IR Day	1	282
ESG Meeting	1	203

	Times Held	Attendees
Conference call on earnings report	4	1,450

Materials used at these briefings ▶ Our Website

Individual Meetings (Institutional Investors and Analysts)

Attendees*
331

* Includes both conference attendees and conference call participants

Investors Visits*

	Times Held
Overseas	0
Japan	12
Of which, interviews with those with decision-making authority	9

* Interviews conducted via conference call in place of in-person visits are included in the number for individual meetings.

Small Meetings

	Times Held	Attendees
Small meetings with the President*	3	75
Small meetings held by heads of business sectors and other departments	3	64

* Includes engagement on the topic of listed subsidiaries of a listed company ▶ P89

Individual Investors' Meetings

▶ Our Website

Times Held	Attendees
3	614