Risk Management

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.

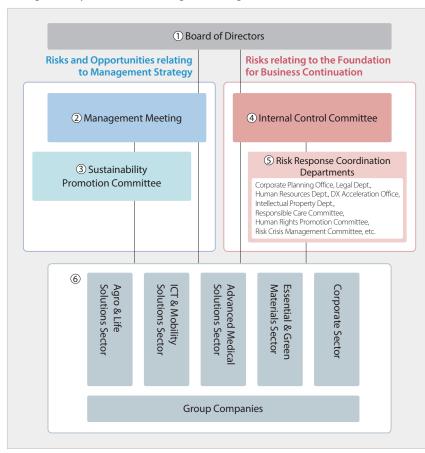
Systems for Promoting Risk Management

Sumitomo Chemical's Internal Control Committee works together with multiple other committees to implement systems for promoting risk management, under which each Group organization is able to properly manage risks associated with its business operations in accordance with Group policies.

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, this committee creates a risk map for the Group as a whole each year, aiming to comprehensively capture the status of risks relating to management strategy and the foundation for business continuation, and coordinate with risk response coordination departments, promoting countermeasures for priority risks relating to the foundation for business continuation, such as earthquakes, workplace accidents, and product-related accidents, on a Group-wide level.

The Management Committee deliberates on important management matters, including management strategies, capital investment, and investment and loans for the Company and its group companies, on a case-by-case basis, regarding risks relating to management strategy that require consideration from both a risk and an opportunity perspective. With regard to sustainability, the Sustainability Promotion Committee* makes necessary proposals on medium- to long-term environmental and social issues to each organization of the group to ensure that the management activities of the group

■ 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 social 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.

contribute to the realization of sustainability of society and the group itself.

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.

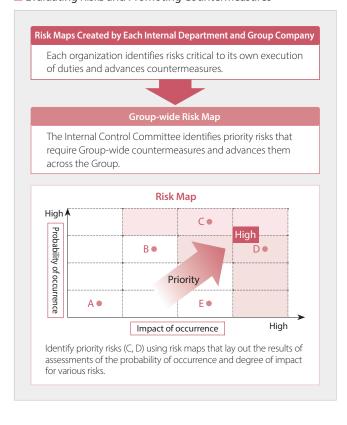
^{*} Chairman and Outside Directors, Standing Audit & Supervisory Committee Members participate as observers

Promotion of Group-wide Priority Risk Assessment and Countermeasures

Every year, approximately 110 major organizations within both Sumitomo Chemical and Group companies around the world conduct risk evaluations using a list of risks compiled by the Company to assess the probability of occurrence and the potential impact of various risks that could hinder the achievement of business objectives and create risk maps. Based on the aggregation of these maps, a Group-wide risk map is created.

The department uses this Group-wide risk map to assess important risks that require Group-wide countermeasures and create risk

■ Evaluating Risks and Promoting Countermeasures



management policies. Risk response coordination departments collaborate to promote the Group's risk management.

In addition, each organization within the Group considers risk countermeasures based on their own risk map and with reference to the Group-wide risk map. As necessary, they take countermeasures in collaboration with the Company's sectors and Risk Response Coordination.

Risk Management: Systems for Promoting Risk Management

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.

Initiatives Related to Cyber Security Threats

We are working to create a framework for our IT business continuity plan (BCP), which is a BCP for our IT systems, as well as to formulate other BCPs to address cyber security threats.

List of Risk Items

Risk response coordination departments have cooperated to create a list of risk items that broadly encompasses the Group's business activities, from management strategies to risks related to the fundamental drive to remain a going concern.

We revise the list every year in line with changes in internal and external conditions and the business environment. By evaluating Group-wide risks using this list, we have achieved systematic and comprehensive risk management.

Field	Example of Risks Included in the List
Business risks	Interruptions in the supply of raw materials, fuel, or products, or service; rapid price fluctuations; industrial reforms; price competition; technological innovations; digital innovations; extreme weather events; changes in standards and rules; rapid fluctuations in demand, imposition of tariffs, import restrictions
Political and social risks	GHG problems; plastic waste problems; transition to circular economy; terrorism; political instability, economic crises, or institutional changes in various countries and regions
Accident and disaster risks	Earthquakes, tsunamis, volcanic eruptions, meteorological disasters (typhoons, tornadoes, floods, hail, etc.) fires, explosions, product-related accidents, environmental pollution, ground subsidence, interruptions in or restrictions of the supply of electricity, gas, water, or other utilities
Legal violation and compliance risks	Bribery, collusion, falsification, scandals, criminal behavior, competition laws violations, export control regulation violations, infringement of intellectual property rights, insider trading
Personnel and labor risks	Workplace accidents, human rights problems, mental health issues, harassment, spread of infectious or contagious diseases
Information security risks	Cyberattacks, system failures, confidential information leaks, personal information leaks
Taxation and financial risks	Tax transparency, volatility of managed assets, interest rate volatility

Risk Factors

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