

# Governance

Contributing to  
the SDGs through Governance



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## 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.

### Basic Stance

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

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

Sumitomo Chemical Corporate Governance Guidelines

[https://www.sumitomo-chem.co.jp/english/company/files/docs/governance\\_pdf\\_01.pdf](https://www.sumitomo-chem.co.jp/english/company/files/docs/governance_pdf_01.pdf)

### Measures to Date for Strengthening Corporate Governance

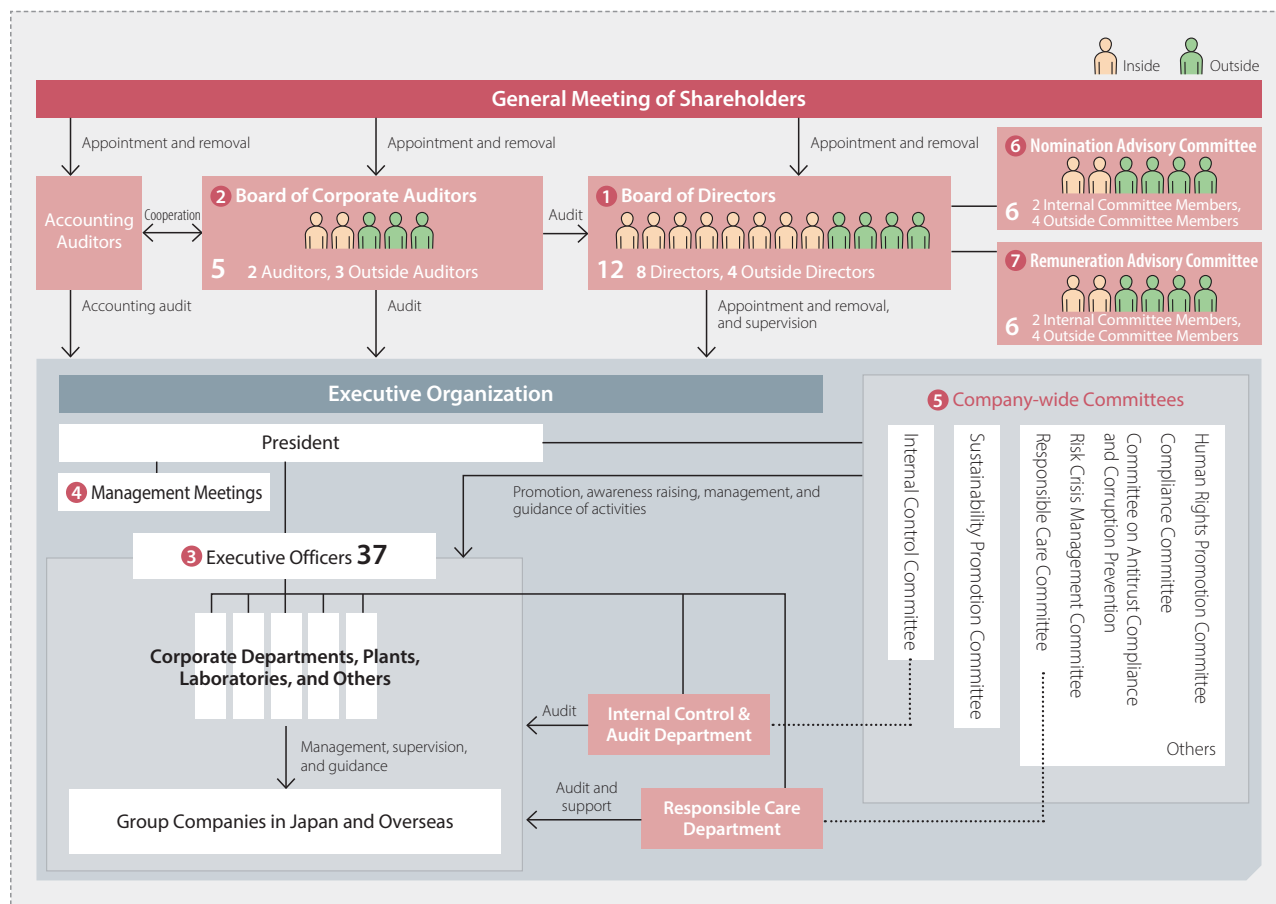
Date	Major Initiatives	Board Composition	Appointment of Board Members	Executive Remuneration	Other
2003 June	Introduced Executive Officer system (reduced number of Directors from 25 to 10)	●			●
July	Established Compliance Committee				●
2004 June	Eliminated system of retirement benefits for Directors and Corporate Auditors			●	
2007 May	Established Internal Control Committee				●
September	Established Remuneration Advisory Group			●	
2010 September	Established Nomination Advisory Group		●		
2011 November	Drew up standards for appointment of independent outside directors	●	●		
2012 June	Appointed 1 outside director	●			
2015 June	Selected 3 outside directors (increased by 2)	●			
October	Established Remuneration Advisory Committee in place of Remuneration Advisory Group			●	
	Established Nomination Advisory Committee in place of Director Nomination Advisory Group		●		
2016 December	Formulated Sumitomo Chemical Corporate Governance Guidelines				●
2018 June	Selected 4 outside directors (including one woman) (increased by 1)	●			
2021 June	Board of Directors consisting of more than 1/3 Outside Directors	●			



## Corporate Governance

### Current Corporate Governance Organization

#### Corporate Governance Organization (As of July 1, 2021)



#### Structure

##### 1 Board of Directors

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

It also analyzes and assesses the effectiveness of the Board of Directors, and follows up on the results to ensure and improve effectiveness. In accordance with the Nomination Advisory Committee's advice, candidates for Director are nominated by the Board of Directors and are elected once a year at the General Meeting of Shareholders.

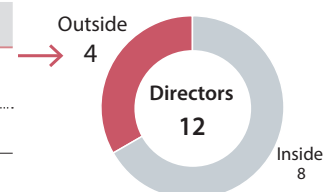
#### Overview of the Board of Directors

Chairperson	Chairman of the Board	The Chairman of the Board does not concurrently serve as Executive Officer.
Number of Persons	12	Outside Directors make up one third or more of the Board of Directors.
Frequency	Monthly in principle	Special meetings of the Board of Directors are convened as needed.
The Term of Office of Directors	One year	The term of office of Directors is one year, in order to establish clear administrative responsibility and roles for Directors.

#### Breakdown of 12 Directors

	Male	Female	Total
Inside	8	0	8
Outside*	3	1	4
<b>Total</b>	<b>11</b>	<b>1</b>	<b>12</b>

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





## Corporate Governance

### ■ Major Agendas Discussed at Meetings of the Board of Directors in Fiscal 2020

- Financial results, dividends, financing
- Management strategy, sustainability, assessment of the effectiveness of the Board of Directors
- R&D, digital innovation, IT promotion
- Internal controls, responsible care, risk management, compliance
- Nomination, remuneration, important personnel changes, recruitment and training of human resources
- Auditors, accounting auditors
- Important investments
  - Acquisition of the South American business of Nufarm
  - Strategic alliance with Roivant
  - Projects relating to Petro Rabigh
- Other
  - Important matters for operating businesses of listed subsidiaries
  - Carbon neutral strategies
  - Plastic resource circulation, etc.

etc.

etc.

### ② Board of Corporate Auditors

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

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

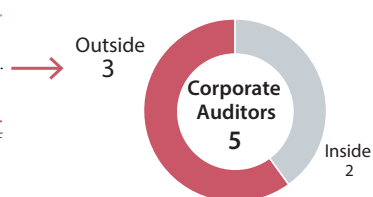
The results of audits and the objective views of Outside Auditors are appropriately reflected in internal audits, corporate auditors' audits, and accounting audits, so as to raise the effectiveness and efficiency of auditing.

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

### ■ Breakdown of 5 Corporate Auditors

Inside	2
Outside*	3

\* Independent Corporate Auditors having no conflicts of interest with general shareholders



### Management Organizations for Decision-making, Execution, and Auditing

#### ③ Executive Officers

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

### ■ Breakdown of 37 Executive Officers

	Male	Female	Total
Japanese	32	1	33
Non-Japanese	4	0	4
Total	36	1	37



## Corporate Governance

### 4 Management Meetings

Management Meetings support decision making by management as an institution for debating such important issues as corporate strategy and capital investment, including matters to be deliberated in the Board of Directors and reports to be made to the Board. Management Meetings consist of the Executive Officers who are in charge of or who supervise key management functions, the Standing Corporate Auditors, and the Chairman of the Board. In principle, the meetings are held 24 times a year.

### 5 Company-wide Committees

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

We regard the promotion of sustainability as a core issue for the entire Group. In 2018, we established the Sustainability Promotion Committee to further strengthen our sustainability initiatives. The Responsible Care Committee also examines specific measures to address climate change and other environmental issues. To further promote initiatives related to respect for human rights, the Human Rights Promotion Committee was established in fiscal 2019.

### Overview of Committees and Number of Meetings

Name	Details	Number of Meetings Held in FY2020
Internal Control Committee	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.	3
Sustainability Promotion Committee	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.	2
Responsible Care Committee	This committee formulates annual policies, medium-term plans, and specific measures concerning responsible care (safety, health, environment, and quality), including climate change issues.	1
Risk and Crisis Management Committee	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.	7*
Compliance Committee	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.	1
Human Rights Promotion Committee	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

Note: Each committee separately held subcommittee meetings on specific important topics and secretariat meetings.

\* The number of meetings increased as we deliberated on preventive measures for the Covid-19 pandemic.



## Corporate Governance

### Executive Nomination and Remuneration

#### 6 Nomination Advisory Committee

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

\* Senior management means Executive Officers above Senior Managing Executive Officer, and Managing Executive Officers who are immediately under the President, supervising certain functions.

#### 7 Remuneration Advisory Committee

The Remuneration Advisory Committee was established in October 2015, as an advisory body to the Board of Directors on the remuneration system, remuneration levels, and other related matters, for Directors and Executive Officers. The committee is made up of Outside Directors, the Chairman of the Board, and the President. It holds regular meetings annually and convenes ad hoc meetings as needed. With a majority of members being Outside Directors, the committee advises the Board of Directors in deciding the executive officer remuneration system and levels, with the aim of further increasing transparency and fairness.

#### ■ Directors' and Corporate Auditors' Remuneration in Fiscal 2020

(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)	—
<b>Total</b>	<b>19</b>	<b>818</b>	<b>722</b>	<b>96</b>

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

#### ■ Composition of the Nomination Advisory Committee and the Remuneration Advisory Committee and Attendance Status (Meetings Attended / Meetings Held) in Fiscal 2020

		Nomination Advisory Committee	Remuneration Advisory Committee
Chairman of the Board	Masakazu Tokura (Chairman)	2/2 time (100%)	3/3 times (100%)
Representative Director & President	Keichi Iwata	2/2 time (100%)	3/3 times (100%)
Outside Director	Koichi Ikeda	2/2 time (100%)	3/3 times (100%)
Outside Director	Hiroshi Tomono	2/2 time (100%)	3/3 times (100%)
Outside Director	Motoshige Itoh	2/2 time (100%)	3/3 times (100%)
Outside Director	Atsuko Muraki	2/2 time (100%)	3/3 times (100%)

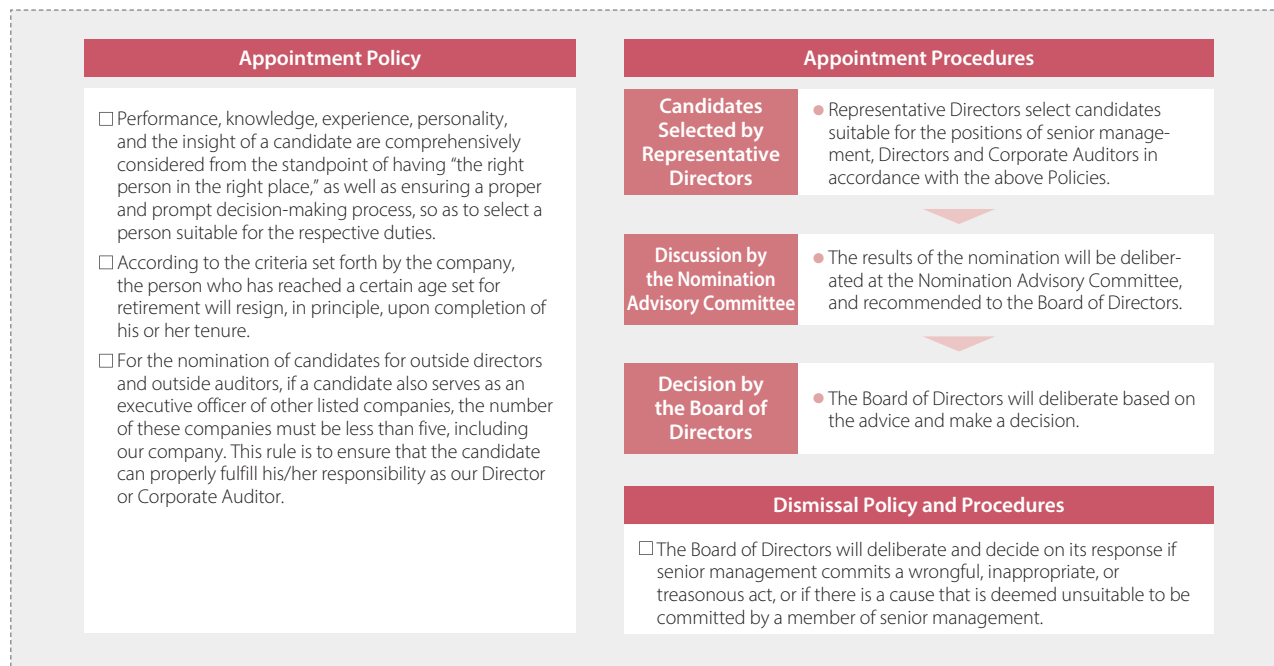
#### ■ Activities of the Advisory Committees in Fiscal 2020

Nomination Advisory Committee	<ul style="list-style-type: none"> <li>• Deliberation on officers for fiscal 2021</li> </ul>
Remuneration Advisory Committee	<ul style="list-style-type: none"> <li>• Deliberation on basic remuneration</li> <li>• Deliberation on the bonuses of officers</li> </ul>



## Corporate Governance

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



### ■ Remuneration\*

#### 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.

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





## Corporate Governance

### (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.

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

	Fixed Remuneration	Performance-linked Remuneration
Corporate Business Plan (FY2019-2021) Composition ratio of Directors' remuneration at the time the goal is achieved in the final year	Basic Compensation About 70%	Bonuses About 30%
Composition ratio of remuneration for FY2020	Basic Compensation 86%	Bonuses 14%

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
Outside evaluations	D/E ratio
	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.

### 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.



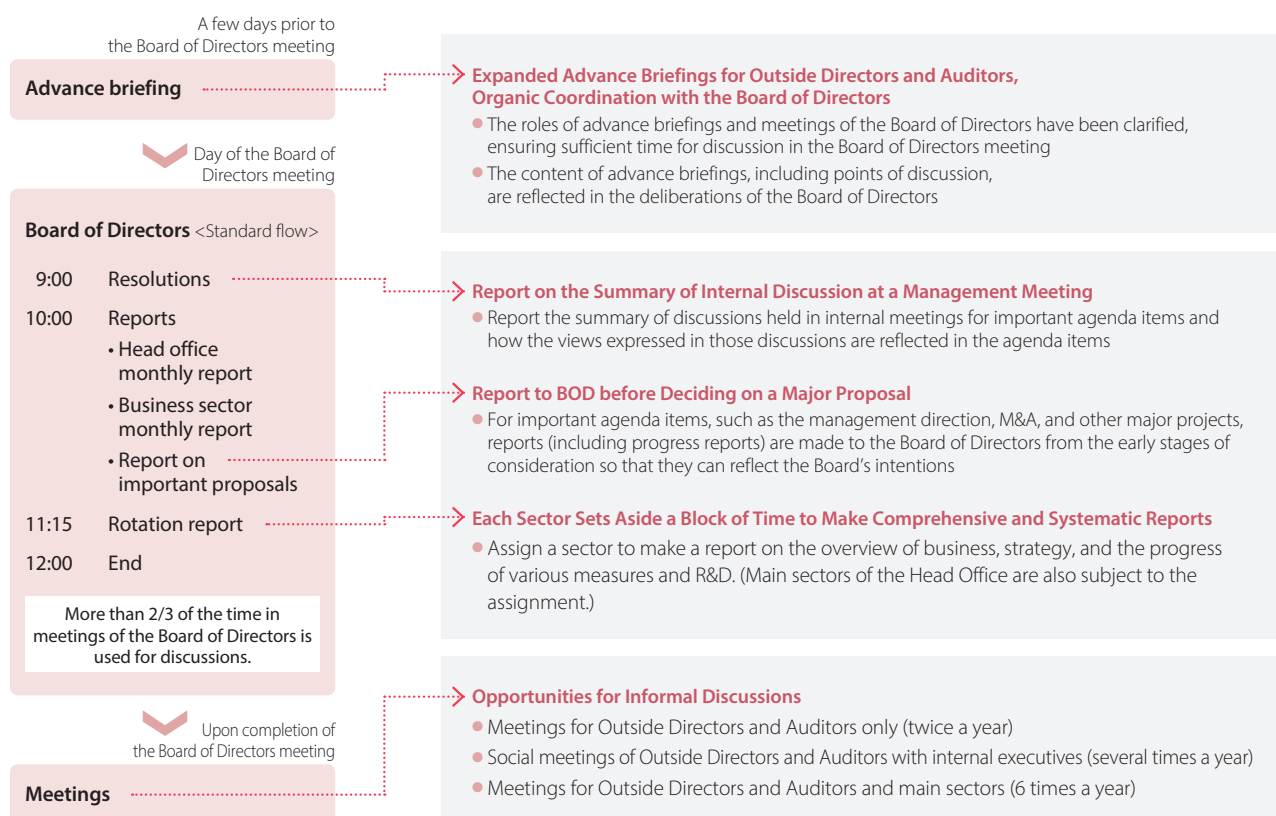


## Corporate Governance

### Efforts to Substantively Strengthen Corporate Governance

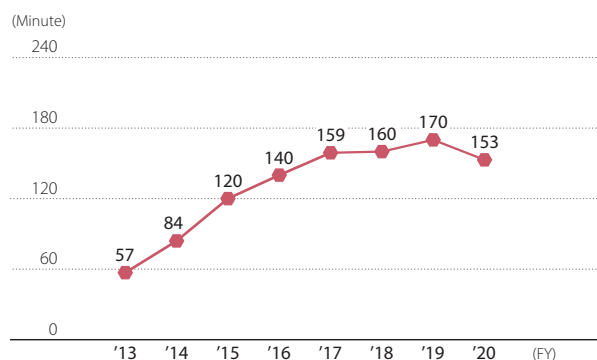
#### Changes in the Method of Operation of the Board of Directors

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.



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



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



## Corporate Governance

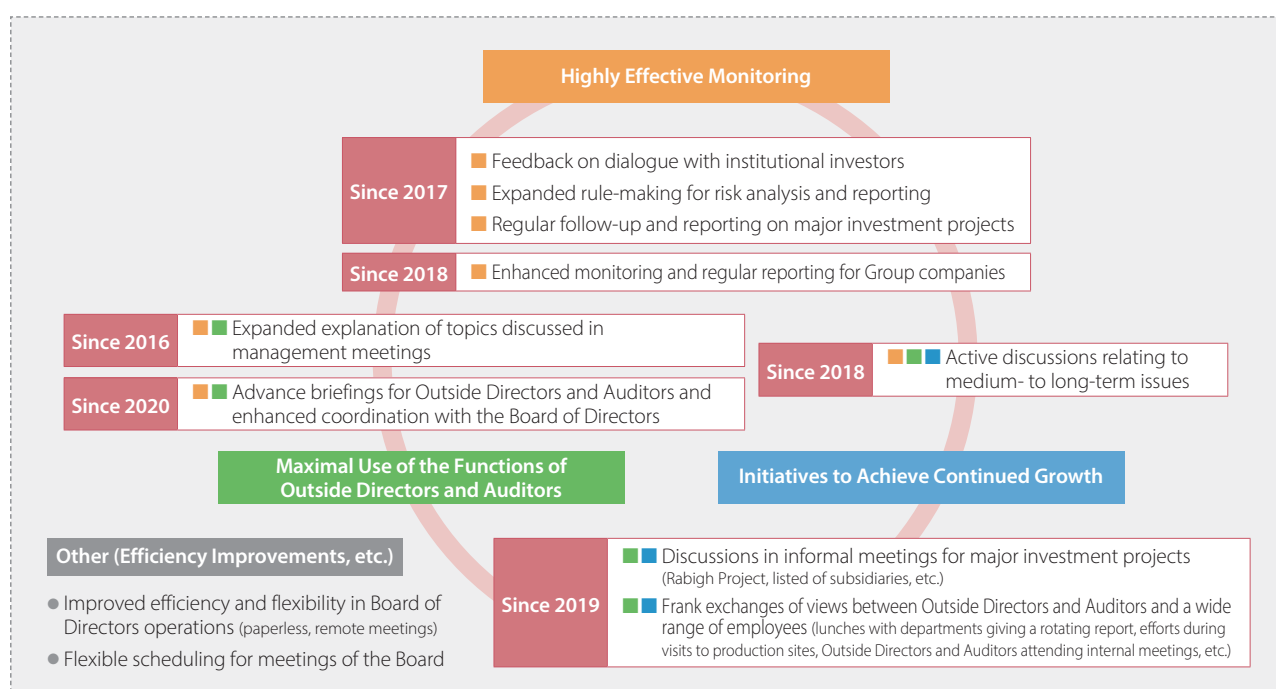
### Utilizing the Oversight and Advisory Functions of Outside Directors and Corporate Auditors

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.

<b>Case 1</b>	<b>Discussions in Informal Meetings</b>	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.
<b>Case 2</b>	<b>Follow-up on Major Projects and Monitoring of Group Companies</b>	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.
<b>Case 3</b>	<b>Improving the Efficiency of Meetings of the Board of Directors</b>	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.
<b>Case 4</b>	<b>Interaction with Employees</b>	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

### Visit to Production Sites by Outside Directors and Auditors

To gain a better understanding of the current situation, every year Outside Directors and Auditors at Sumitomo Chemical visit production sites located in and outside of Japan. In October 2020, they visited the Chiba Works. Outside Directors and Auditors considered the visit to be very significant, as it deepened their understanding of the business of the Company.

Note: A previously scheduled visit to a group company overseas was postponed due to the Covid-19 pandemic.

#### Record of Recent Visits

In November 2017, Oita Works

In March 2018, a group company in South Korea

In September 2018, Ehime Works

In February 2019, a group company in Saudi Arabia

In November 2019, Misawa Works

In October 2020, Chiba Works



Visit to Chiba Works (in October 2020)

### Assessing the Effectiveness of the Board of Directors

#### Improvements over Fiscal 2019 and Assessment of Fiscal 2020

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. At the end of fiscal 2020, we confirmed steady yearly improvement in its effectiveness, which was at a favorable level in general. We also confirmed that various initiatives will continue to be implemented in different ways to further enhance the effectiveness of the Board of Directors going forward while maintaining an awareness of changes in the surrounding environment and trends in corporate governance.

#### Initiatives in Response to the Fiscal 2019 Evaluation Results

- 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



## Corporate Governance

### Initiatives for the Future

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

#### 1. Further Stimulating Deliberations of the Board of Directors

From the perspective of fully utilizing the supervisory and advisory functions of Outside Directors and Auditors, we ardently promote improvements based on the guidance and suggestions of Outside Directors and Auditors. As a result of this long-standing practice ensures that opinions are exchanged freely and actively for significant lengths of time at Board of Directors meetings, informal discussions, and other meetings. In fiscal 2021, which is the year for the formation of a new corporate business plan to begin from fiscal 2022, we continually strive to contribute to the realization of a sustainable society through our business as well as to achieve our own sustainable growth, based on discussions held at the Board of Directors meetings covering important topics like those listed on page 62. To this end, in order to encourage discussions centered on the Company's medium- to long-term direction, we will work on: a) allocating time to put greater weight on important topics, b) further enhancing advance briefings for Outside Directors, c) encouraging discussions of the progress updates for major investment projects to date, and d) planning visits to production sites, including the use of online meetings.

#### 2. Further Strengthening Group Governance

The percentages of net sales and staff accounted for by overseas operations is rising. The number of businesses that have joined the Group as subsidiaries, including a South American crop protection company, has also increased. Due to the COVID-19 pandemic, travel to and from overseas locations has been restricted. In light of this, in addition to the initiatives launched up to fiscal 2020—as listed under major topics on page 62—we will continue working to further strengthen Group-wide governance by reinspecting systems, including those for internal controls, compliance, and responsible care, and by utilizing digital technologies to ensure more precise responses attuned to the characteristics of each subsidiary.

#### 3. Strengthening Dialogue with Stakeholders and Enhancing Disclosure

In the Sumitomo Chemical Corporate Governance Guidelines, we advocate maintaining active dialogue with stakeholders and appropriate disclosure. In fiscal 2020, we actively strove to promote communication with shareholders and investors in part by holding our first ESG briefing and IR Day as well as collaborative dialogue with major institutional investors in Japan through the institutional investor collaborative dialogue forum. In addition, we have endeavored to enhance disclosure through Sumitomo Chemical Report (Annual Report), Sustainability Data Book, websites, and more. As a result, we received the award for excellence at the Nikkei Annual Report Awards 2020, were selected by the CDP for the Climate Change A List 2020 and Water Security A List 2020, and acquired a Gold evaluation for the second consecutive year in the EcoVadis Sustainability Assessment. This has helped us garner acclaim from stakeholders. In fiscal 2021, we will continue proactively disclosing our status and initiatives moving forward, holding dialogues with shareholders and investors, and ensuring that our corporate value is more accurately evaluated.

 **P.47 Communication with Stakeholders**



## Corporate Governance

### 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.	<ul style="list-style-type: none"> <li>Research at the Bioscience Research Laboratory, which consolidates and integrates parts of the research organizations of the company and Sumitomo Chemical</li> <li>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)</li> <li>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)</li> <li>Having locations on Sumitomo Chemical's premises enables close collaboration in such areas as quality and production management, reducing indirect expenses</li> </ul>
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.	<ul style="list-style-type: none"> <li>Optimization of the Sumitomo Chemical Group's production of active pharmaceutical ingredient and intermediates through a new multi-purpose manufacturing equipment (multi-plants) approach</li> <li>Joint research from the earliest stage into such areas as battery materials and additive agents</li> <li>Having locations on Sumitomo Chemical's Works enables close collaboration in such areas as quality and production management, reducing indirect expenses</li> </ul>
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.	<ul style="list-style-type: none"> <li>Expanded contract manufacturing of pharmaceutical and agrochemical intermediates with numerous multi-plants of the company</li> </ul>
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.	<ul style="list-style-type: none"> <li>Contribute to a drastic rationalization of the manufacturing process and optimization of research and development through integration of the technologies of both companies.</li> <li>Sumitomo Chemical's capital investment and guidance has improved the company's management level in such areas as labor accidents and internal control</li> </ul>



## Corporate Governance

### 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	Non-mandatory Committees Established	
		Ratio of Outside Directors	Nomination/Remuneration	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

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

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.



## Corporate Governance

### 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<sup>\*1</sup>, 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.

<sup>\*1</sup> 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<sup>\*2</sup>

	(Billions of yen)	
	FY2019	FY2020
Number of shares <sup>*3</sup>	7	11
Value of shares sold	5.1	13.0

#### ■ Balance of Cross-Shareholdings<sup>\*2</sup> 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

<sup>\*2</sup> Excluding shares of unlisted companies

<sup>\*3</sup> Including partial sales of cross-shareholdings





## Corporate Governance

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

■ Number of shares held (as of March 31, 2021)

■ Number of attendances at Board of Directors meetings for fiscal 2020

Position/Name	Career/ ♦ Reasons for Appointment
 <p>Masakazu Tokura Chairman of the Board</p> <p>Birth Date: July 10, 1950 ■ 262,300 ■ 13/13 times (100%)</p>	<p>1974 Joined Sumitomo Chemical Co., Ltd. 2000 General Manager, Corporate Planning &amp; Coordination Office 2003 Executive Officer 2006 Managing Executive Officer 2008 Representative Director &amp; Managing Executive Officer</p> <p>2009 Representative Director &amp; Senior Managing Executive Officer 2011 Representative Director &amp; President 2019 Chairman of the Board (current) 2021 Chairman of KEIDANREN (Japan Business Federation) (current)</p> <p>♦ He assumed office as a Director &amp; 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.</p>
 <p>Keiichi Iwata Representative Director &amp; President</p> <p>Birth Date: October 11, 1957 ■ 145,700 ■ 13/13 times (100%)</p>	<p>1982 Joined Sumitomo Chemical Co., Ltd. 2004 General Manager, Planning &amp; Coordination Office, IT-related Chemicals Sector 2010 Executive Officer 2013 Managing Executive Officer</p> <p>2018 Senior Managing Executive Officer 2018 Representative Director &amp; Senior Managing Executive Officer 2019 Representative Director &amp; President (current)</p> <p>♦ 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 &amp; 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 &amp; Executive President since April 2019.</p>
 <p>Noriaki Takeshita Representative Director &amp; Senior Managing Executive Officer</p> <p>Birth Date: July 23, 1958 ■ 83,200 ■ 13/13 times (100%)</p>	<p>1982 Joined Sumitomo Chemical Co., Ltd. 2005 Rabigh Refining and Petrochemical Company 2010 Executive Officer 2013 Managing Executive Officer 2016 Deputy Chairman, Rabigh Refining and Petrochemical Company (current)</p> <p>2017 Representative Director &amp; Managing Executive Officer 2018 Representative Director &amp; Senior Managing Executive Officer (current)</p> <p>Current charge: Petrochemicals &amp; Plastics Sector, Business Development for a Circular System for Plastics</p> <p>♦ Since joining the Company, he has mainly engaged in business planning and production planning in the Petrochemicals &amp; 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 &amp; Plastics Sector since 2017.</p>
 <p>Masaki Matsui Representative Director &amp; Senior Managing Executive Officer</p> <p>Birth Date: August 3, 1960 ■ 61,221 ■ 13/13 times (100%)</p>	<p>1985 Joined Sumitomo Chemical Co., Ltd. 2011 General Manager, Planning &amp; Coordination Office, IT-related Chemicals Sector 2013 Executive Officer 2017 Managing Executive Officer</p> <p>2019 Representative Director &amp; Managing Executive Officer 2021 Representative Director &amp; Senior Managing Executive Officer (current)</p> <p>Current charge: IT-related Chemicals Sector</p> <p>♦ 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.</p>
 <p>Kingo Akahori Representative Director &amp; Senior Managing Executive Officer</p> <p>Birth Date: August 2, 1957 ■ 46,200 ■ 13/13 times (100%)</p>	<p>1983 Joined Sumitomo Chemical Co., Ltd. 2009 General Manager, Battery Materials Division 2015 Associate Officer 2016 Executive Officer 2018 Managing Executive Officer</p> <p>2019 Representative Director &amp; Managing Executive Officer 2021 Representative Director &amp; Senior Managing Executive Officer (current) 2021 Representative Director &amp; President of Kaseihin Kaikan Co., Ltd. (current)</p> <p>Current charge: Energy &amp; Functional Materials Sector</p> <p>♦ 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 &amp; Functional Materials Sector, contributing to the growth and expansion of the sector. He has been in charge of the Energy &amp; Functional Materials Sector since 2019.</p>
 <p>Nobuaki Mito Representative Director &amp; Senior Managing Executive Officer</p> <p>Birth Date: August 4, 1960 ■ 49,500 ■ 10/10 times (100%)</p>	<p>1985 Joined Sumitomo Chemical Co., Ltd. 2013 General Manager, Intellectual Property Dept. 2014 Associate Officer 2015 Executive Officer 2018 Managing Executive Officer</p> <p>2020 Chairman, Valent U.S.A. LLC (current) Chairman, Valent BioSciences LLC (current) 2020 Representative Director &amp; Managing Executive Officer 2021 Representative Director &amp; Senior Managing Executive Officer (current)</p> <p>Current charge: Health &amp; Crop Sciences Sector</p> <p>♦ Since joining the Company, he has mainly engaged in research and development in the Health &amp; 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 &amp; Crop Sciences Sector since 2020.</p>



## Corporate Governance






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

Position/Name	Career/ ♦ Reasons for Appointment
 <p>Hiroshi Ueda Director &amp; Executive Vice President</p> <p>Birth Date: August 5, 1956 ■ 122,400 ■ 13/13 times (100%)</p>	<p>1982 Joined Sumitomo Chemical Co., Ltd. 2006 Director, Process &amp; Production Technology Center 2008 Associate Officer 2009 Executive Officer 2011 Managing Executive Officer 2016 Senior Managing Executive Officer 2016 Representative Director &amp; Senior Managing Executive Officer 2018 Director &amp; Senior Managing Executive Officer 2019 Director &amp; Executive Vice President (current)</p> <p>Current charge: Research Planning and Coordination, Digital and Data Science Innovation, Process &amp; Production Technology &amp; Safety Planning, Production &amp; Safety Fundamental Technology Center, Engineering, Intellectual Property, Responsible Care, Industrial Technology &amp; Research Laboratory, Environmental Health Science Laboratory, Advanced Materials Development Laboratory, Bioscience Research Laboratory</p> <p>♦ 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 &amp; Functional Materials Sector since 2016 and is currently in charge of Research Planning and Coordination, Digital and Data Science Innovation, Process &amp; Production Technology &amp; Safety Planning, Responsible Care, and corporate research facilities as a Director &amp; Executive Vice President.</p>
 <p>Hiroshi Niinuma Director &amp; Senior Managing Executive Officer</p> <p>Birth Date: March 5, 1958 ■ 94,200 ■ 13/13 times (100%)</p>	<p>1981 Joined Sumitomo Chemical Co., Ltd. 2009 General Manager, General Affairs Dept. 2010 Executive Officer 2013 Managing Executive Officer</p> <p>2018 Senior Managing Executive Officer 2018 Director &amp; Senior Managing Executive Officer (current)</p> <p>Current charge: General Affairs, External Relations, Legal, Human Resources</p> <p>♦ 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 &amp; 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.</p>
 <p>Koichi Ikeda Outside Director</p> <p>Birth Date: April 21, 1940 ■ 0 ■ 13/13 times (100%)</p>	<p>1963 Joined Asahi Breweries, Ltd. 2002 Representative Director &amp; President &amp; COO, Asahi Breweries, Ltd. 2006 Representative Director &amp; Chairman &amp; CEO, Asahi Breweries, Ltd. 2010 Advisor, Asahi Breweries, Ltd.</p> <p>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)</p> <p>♦ 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.</p>
 <p>Hiroshi Tomono Outside Director</p> <p>Birth Date: July 13, 1945 ■ 0 ■ 13/13 times (100%)</p>	<p>1971 Joined Sumitomo Metal Industries, Ltd. 2005 Representative Director &amp; President, Sumitomo Metal Industries, Ltd. 2012 Representative Director &amp; President &amp; COO, Nippon Steel &amp; Sumitomo Metal Corporation 2014 Representative Director &amp; Vice Chairman, Nippon Steel &amp; Sumitomo Metal Corporation 2015 Director &amp; Advisor, Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>2015 Outside Director, Sumitomo Chemical Co., Ltd. (current) 2015 Advisor Nippon Steel &amp; 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)</p> <p>♦ 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.</p>
 <p>Motoshige Itoh Outside Director</p> <p>Birth Date: December 19, 1951 ■ 0 ■ 13/13 times (100%)</p>	<p>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)</p> <p>2016 Professor, Faculty of International Social Sciences, Gakushuin University (current) 2016 Professor Emeritus, The University of Tokyo (current) 2016 Outside Corporate Auditor, Hageo Foods Corporation (current) 2018 Outside Director, The Shizuoka Bank, Ltd. (current) 2018 Outside Director, Sumitomo Chemical Co., Ltd. (current)</p> <p>♦ 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.</p>
 <p>Atsuko Muraki Outside Director</p> <p>Birth Date: December 28, 1955 ■ 0 ■ 13/13 times (100%)</p>	<p>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</p> <p>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)</p> <p>♦ 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.</p>






## Corporate Governance

■ 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

Position/Name		Career/ ◆ Reasons for Appointment	
 <p>Kunio Nozaki Standing Corporate Auditor</p> <p>Birth Date: October 29, 1956 ■ 87,500 ■ 13/13 times (100%) ○ 14/14 times (100%)</p>		1979 Joined Sumitomo Chemical Co., Ltd. 2002 General Manager, Finance & Accounting Office 2007 Executive Officer 2009 Managing Executive Officer 2014 Senior Managing Executive Officer	2014 Representative Director & Senior Managing Executive Officer 2018 Director & Senior Managing Executive Officer 2019 Director 2019 Corporate Auditor (current)
		◆ 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.	
 <p>Hiroaki Yoshida Standing Corporate Auditor</p> <p>Birth Date: March 2, 1956 ■ 18,600 ■ 13/13 times (100%) ○ 14/14 times (100%)</p>		1980 Joined Sumitomo Chemical Co., Ltd. 2012 General Manager, Planning & Coordination Office, Rabigh Project & General Manager, Planning & Coordination Office, Petrochemicals & Plastics Sector 2015 Corporate Auditor (current)	
		◆ 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.	
 <p>Mitsuhiro Aso Outside Corporate Auditor</p> <p>Birth Date: June 26, 1949 ■ 0 ■ 13/13 times (100%) ○ 14/14 times (100%)</p>		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)
		◆ He will make use of his expert knowledge and abundant experience as an attorney and prosecutor over many years for the Company's audits.	
 <p>Yoshitaka Kato Outside Corporate Auditor</p> <p>Birth Date: September 17, 1951 ■ 0 ■ 13/13 times (100%) ○ 14/14 times (100%)</p>		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)
		◆ He will make use of his expert knowledge and abundant experience as a certified public accountant over many years in auditing the Company.	
 <p>Michio Yoneda Outside Corporate Auditor</p> <p>Birth Date: June 14, 1949 ■ 2,000 ■ 13/13 times (100%) ○ 14/14 times (100%)</p>		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)
		◆ 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.	



## Corporate Governance

Position/Name	In Charge
 Takashi Shigemori Senior Managing Executive Officer	Corporate Planning, IT Innovation
 Marc Vermeire Managing Executive Officer	Sumitomo Chemical Agro Europe S.A.S., Sumitomo Chemical Europe S.A./N.V.
 Keiichi Sakata Managing Executive Officer	Sumitomo Chemical Asia Pte Ltd
 Motoyuki Sakai Managing Executive Officer	Inorganic Materials Div., Specialty Chemicals Div., Advanced Polymers Div., Battery Materials Div.
 Seiji Takeuchi Managing Executive Officer	Planning & Coordination Office, Petrochemicals & Plastics Sector, Responsible Care Dept., Petrochemicals & Plastics Sector, Basic Materials Div., Industrial Chemicals Div., Petrochemicals Research Laboratory
 Naoyuki Inoue Managing Executive Officer	Rabigh Refining and Petrochemical Company
 Keigo Sasaki Managing Executive Officer	Corporate Communications, Accounting, Finance
 Kenji Ohno Managing Executive Officer	Sustainability, Internal Control and Audit, Legal Dept.
 Shinichiro Nagata Managing Executive Officer	Ehime Works
 Yoshizumi Sasaki Managing Executive Officer	Business Development Office for a Circular System for Plastics, Resin-related Business Development Dept., Polyolefins Div., Automotive Materials Div.
 Ichiro Kosaka Managing Executive Officer	Planning & Coordination Office, Energy & Functional Materials Sector, Quality Assurance Office, Energy & Functional Materials Sector
 Takanari Yamaguchi Managing Executive Officer	Planning & Coordination Office, IT-related Chemicals Sector, Quality Assurance Office, IT-related Chemicals Sector
 Andrew Lee Executive Officer	Valent U.S.A. LLC, Valent BioSciences LLC
 Masaya Naito Executive Officer	Procurement Dept., Logistics Dept.
 Akira Iwasaki Executive Officer	Planning & Coordination Office, Energy & Functional Materials Sector, Quality Assurance Office, Energy & Functional Materials Sector

Position/Name	In Charge
 Hirokazu Murata Executive Officer	Oita Works, Misawa Works
 Isao Kurimoto Executive Officer	Research Planning and Coordination Dept., Digital and Data Science Innovation Dept., Intellectual Property Dept., Industrial Technology & Research Laboratory
 Koichi Ogino Executive Officer	Chiba Works
 Inho Rha Executive Officer	Dongwoo Fine-Chem Co., Ltd
 Akira Nakanishi Executive Officer	Planning & Coordination Office, IT-related Chemicals Sector, Electronic Materials Div.
 Masao Shimizu Executive Officer	Human Resources Dept., Osaka Office Administration Dept.
 Hiroaki Fujimoto Executive Officer	AgroSolutions Div. – Japan
 Kanako Fukuda Executive Officer	Sumitomo Chemical Europe S.A./N.V.
 Juan Ferreira Executive Officer	Sumitomo Chemical do Brasil Representações Ltda
 Hiroyoshi Mukai Executive Officer	Planning & Coordination Office, Health & Crop Sciences Sector, Quality Assurance Office, Health & Crop Sciences Sector
 Shinsuke Shojima Executive Officer	AgroSolutions Div. – International
 Takanori Ito Executive Officer	Process & Production Technology & Safety Planning Dept., Production & Safety Fundamental Technology Center, Responsible Care Dept.
 Yoshihiro Ino Executive Officer	IT Innovation Dept.
 Tetsuo Takahashi Executive Officer	Planning & Coordination Office, Petrochemicals & Plastics Sector
 Tomoyuki Hirayama Executive Officer	General Affairs Dept., External Relations Dept.



## Corporate Governance

### Expertise and Experience of Directors and Corporate Auditors

	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
<b>Directors</b>									
Masakazu Tokura	●	●		●					
Keiichi Iwata	●	●		●					
Noriaki Takeshita		●		●		●			
Masaki Matsui		●				●			
Kingo Akahori		●	●	●					
Nobuaki Mito		●	●						● (Intellectual Property)
Hiroshi Ueda		●	●						● (IT/DX)
Hiroshi Niinuma					●		●	●	
Koichi Ikeda	●	●			●				
Hiroshi Tomono	●		●		●				
Motoshige Itoh				●					● (International Economics) ● (IT/DX)
Atsuko Muraki					●		●	●	
<b>Corporate Auditors</b>									
Kunio Nozaki				●		●			
Hiroaki Yoshida		●		●				●	
Mitsuhiro Aso				●	●			●	
Yoshitaka Kato				●		●		●	
Michio Yoneda	●				●				● (Financial Markets)

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





## Internal Control

### Status of the Development of the Internal Control System

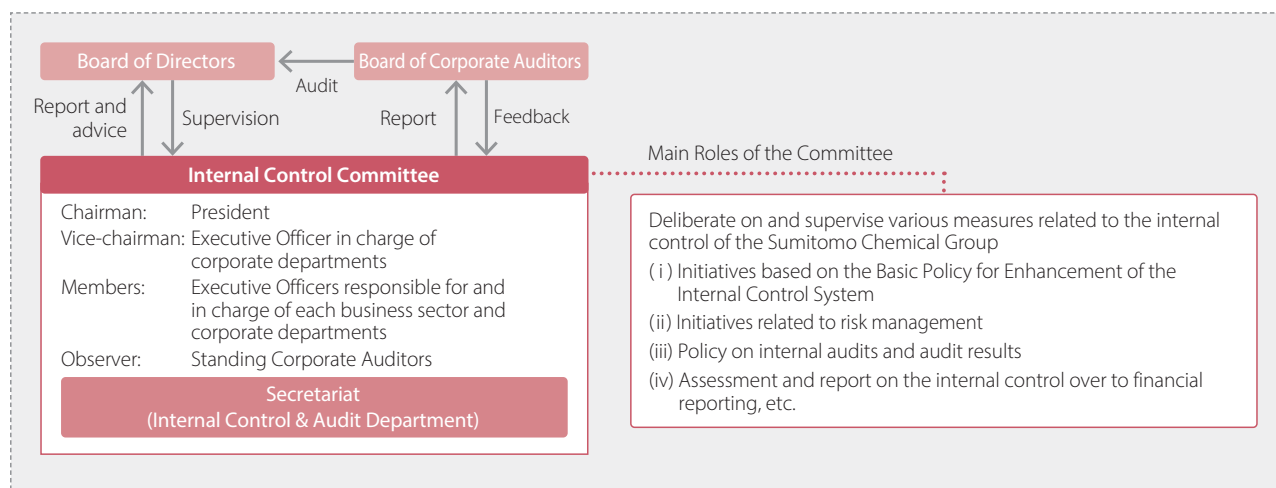
Sumitomo Chemical established its Basic Policy for the Enhancement of the Internal Control System by a resolution of the Board of Directors, creating a system to ensure the appropriateness of its operations as stipulated in the Companies Act.

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.

#### ■ Organization of the Internal Control Committee



Basic policy for Enhancement of the Internal Control System

[https://www.sumitomo-chem.co.jp/english/company/files/docs/InternalControlSystem\\_20190329\\_e.pdf](https://www.sumitomo-chem.co.jp/english/company/files/docs/InternalControlSystem_20190329_e.pdf)



## Internal Control

### 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.

Corporate Governance Report

[https://www.sumitomo-chem.co.jp/english/company/files/docs/governance\\_report\\_e.pdf](https://www.sumitomo-chem.co.jp/english/company/files/docs/governance_report_e.pdf)

### 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.

#### ① 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	<ul style="list-style-type: none"> <li>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 &amp; coordination offices of each business sector)</li> <li>Reported to the Internal Control Committee (Held regularly, three times a year)</li> </ul>

#### ② 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	<ul style="list-style-type: none"> <li>Reported internally as necessary</li> <li>Reported to the Responsible Care Committee (Held regularly, once a year)</li> </ul>

\* 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

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

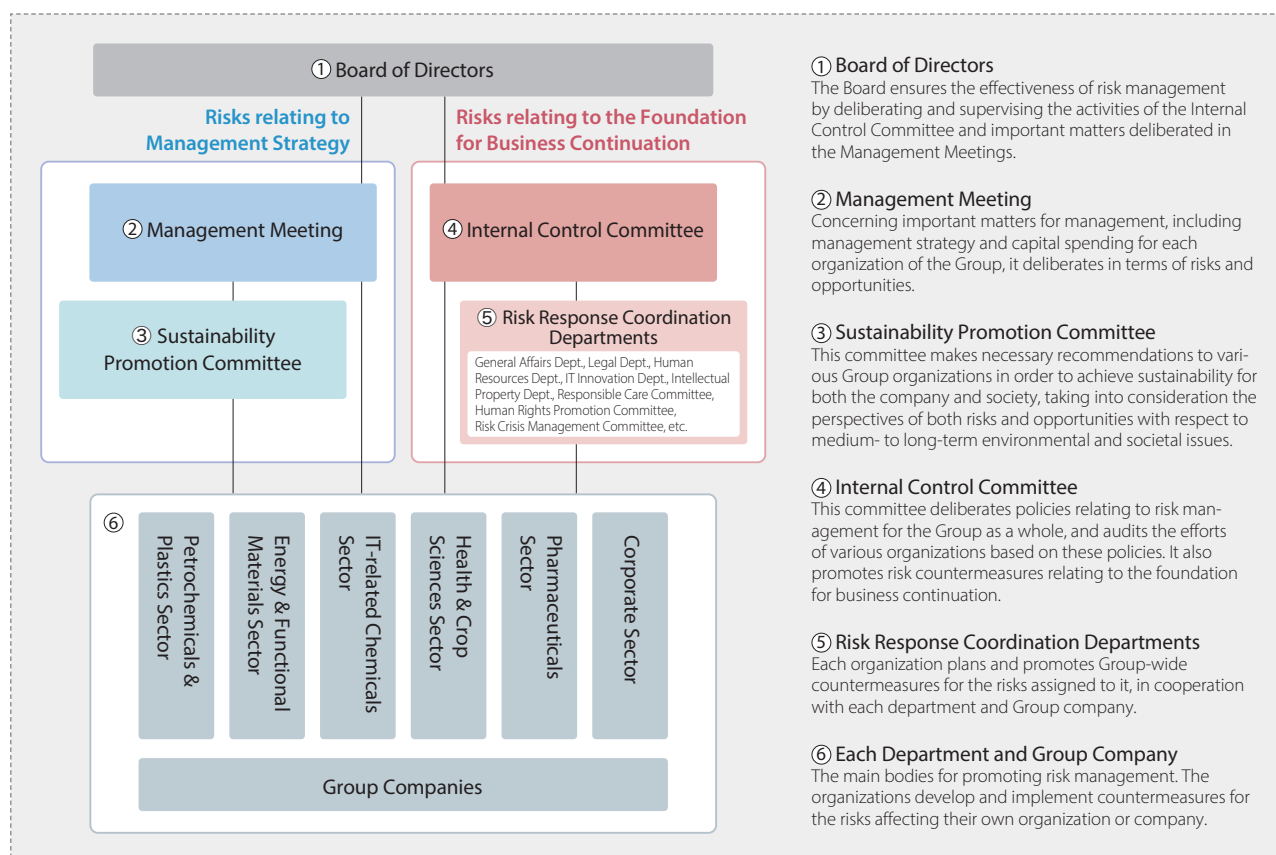
At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees coordinate to promote risk management from the perspective of the Group as 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 (refer to page 33), 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 (refer to page 35), 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.

### ■ Diagram of Systems for Promoting Risk Management





## Risk Management

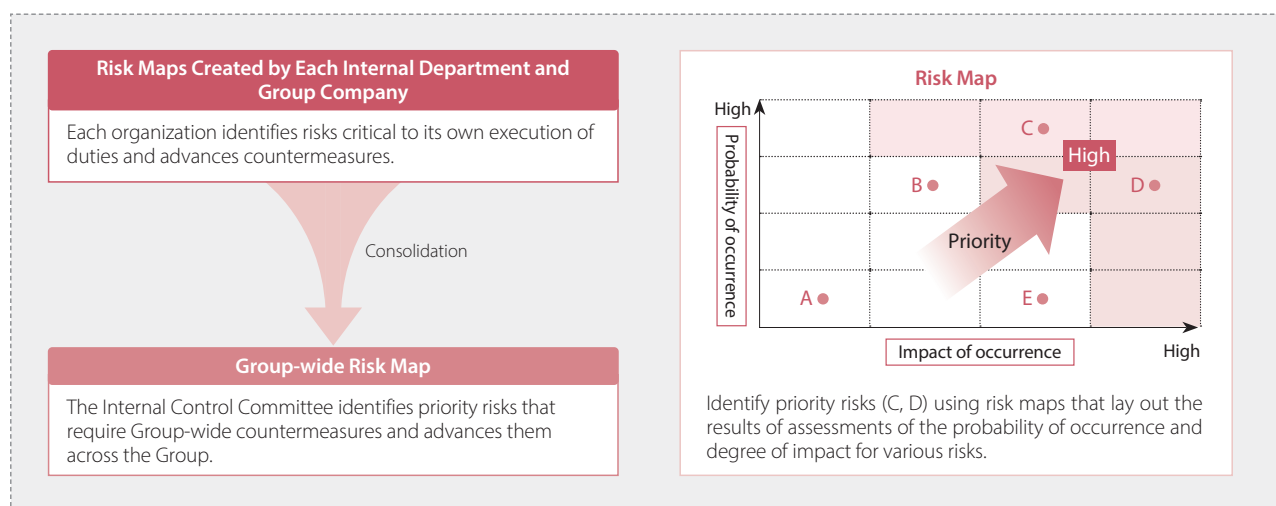
### Promotion of Group-wide Priority Risk Assessment and Countermeasures

Every year, approximately 120 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 to create risk maps. These maps are then aggregated by the Internal Control & Audit Department to create a Group-wide priority risk map.

The department uses this Group-wide risk map to assess important risks that require Group-wide countermeasures and create risk management policies. As listed under the Systems for Promoting Risk Management (refer to page 74), each meeting body collaborates 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 Departments. In this way, they conduct efficient and effective risk management.

#### Evaluating Risks and Promoting Countermeasures



#### List of Risk Items

To evaluate Group-wide risks, the 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.

The list of risk items has been divided into seven fields with accompanying case studies and a detailed explanation of the assessment standards to be used when evaluating each risk item. Moreover, in line with changes in the Group's business activities and social conditions, the items will be amended as appropriate, for example by adding risk items or revising case studies.

Field	Example of Risks Included in the List
Business risks	Interruptions in the supply of raw materials or products, industrial reforms, price competition, technological innovations, digital innovations, extreme weather events, changes in standards and rules
Political and social risks	GHG problems, plastic waste problems, country risks, terrorism, changes to legal systems and policies
Accident and disaster risks	Earthquakes, tsunamis, volcanic eruptions, typhoons, tornadoes, floods, 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, scandals, criminal behavior, antitrust violations, infringement of intellectual property rights, insider trading
Personnel and labor risks	Workplace accidents, human rights problems, mental health, 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 volatility

#### Risk Factors

[https://www.sumitomo-chem.co.jp/english/ir/policy/risk\\_factors/](https://www.sumitomo-chem.co.jp/english/ir/policy/risk_factors/)



## Risk Management

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### 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

## 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.

### The Sumitomo Chemical Charter for Business Conduct and Code of Ethics Embody the Sumitomo Spirit and Business Philosophy

Sumitomo Chemical has established the Sumitomo Chemical Charter for Business Conduct (refer to page 15) to embody the Sumitomo Spirit, Business Philosophy, and Basic Principles for Promoting Sustainability. In addition, to better define the Charter for Business Conduct and more clearly explain it to employees, we established the Sumitomo Chemical Code of Ethics (hereinafter, “the *Compliance Manual*”) as corporate rules and distributed them to employees.



Sumitomo Chemical Charter for Business Conduct

<https://www.sumitomo-chem.co.jp/english/company/principles/charter/>

*Compliance Manual*

[https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules\\_society/](https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules_society/)



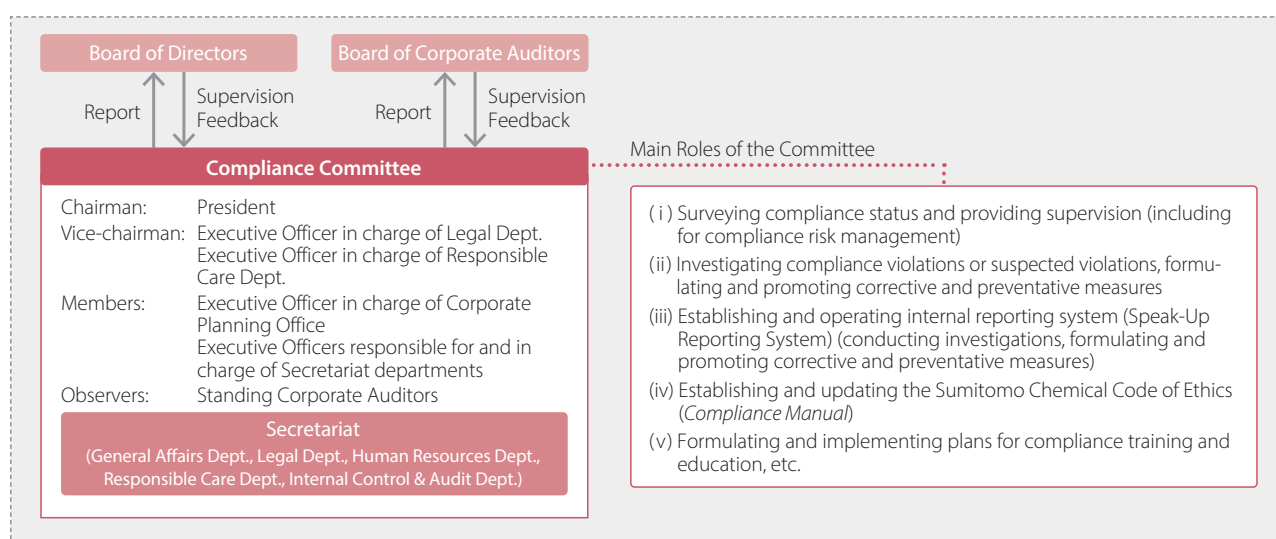
## Compliance

### 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.

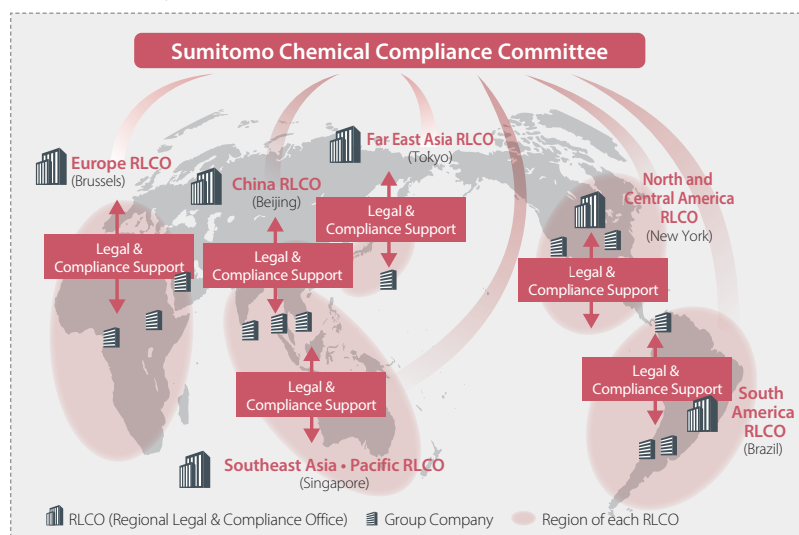
#### ■ Compliance Committee



#### (2) Group Compliance Structure Focused on Effectiveness “Think globally, Manage regionally, Act locally”

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

#### ■ Compliance System at Sumitomo Chemical Group





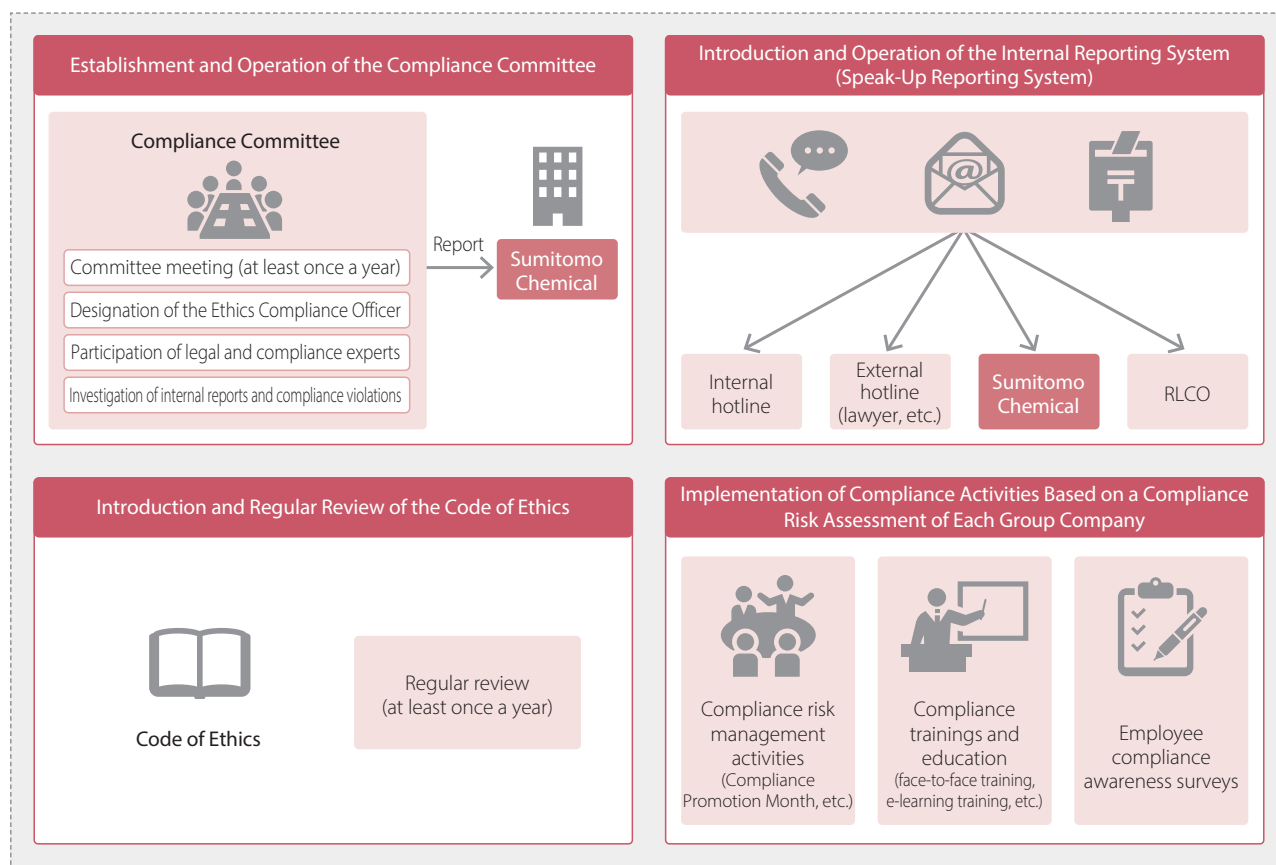
## Compliance

### (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. Accordingly, we established the Sumitomo Chemical Group Compliance Standards, which outlines the compliance systems and activities that serve as our standards. In line with these standards, Sumitomo Chemical and its Group companies are engaged in the following main initiatives.

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

#### Compliance System Operations





## Compliance

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

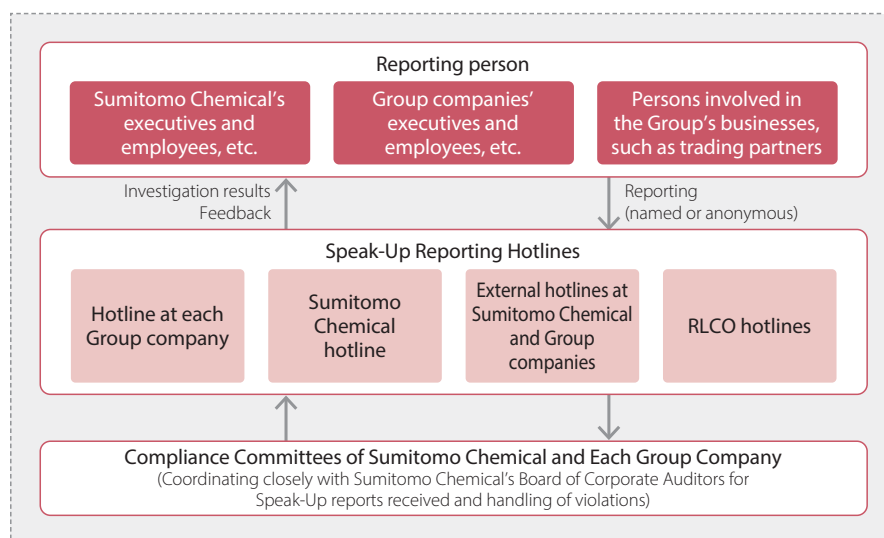
#### (1) The Internal Reporting System Is the Key to Ensuring Compliance

In order to detect any compliance violations as early as possible or to prevent them from occurring in the future, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up Reporting System) that allows company employees, etc. to report a compliance violation or a suspected violation directly to the Compliance Committee or to external lawyers, either. The Speak-Up Reporting System may be used by Sumitomo Chemical's executives and employees (including contract employees) and their families, Group companies' executives and employees and their families, retirees from the Company or Group companies, and anyone involved in the Group's businesses (including trading partners).

Furthermore, to receive a Speak-Up report without fail, Sumitomo Chemical have set up Speak-Up Reporting Hotlines to receive reports at (i) the Compliance Committees of each Group company, (ii) RLCOs, (iii) the Compliance Committee of Sumitomo Chemical, and (iv) external lawyers designated by these committees. The person reporting can choose the hotline they think most appropriate. In addition, anonymous reports are also accepted and responded to.

Note: Regarding reporting within the European Union, we act in compliance with the various laws and regulations of the European Union or its individual member countries.

#### ■ How a Report is Processed under the Internal Reporting System (Speak-Up Reporting System)



#### (2) Guidance and Oversight by the Board of Corporate Auditors, Including Outside Corporate Auditors

On the grounds that Speak-Up reports given to the Compliance Committees of Sumitomo Chemical and the Group companies, as well as compliance violation incidents at each company, are also important from a governance perspective, the Board of Corporate Auditors will regularly, or as needed for important issues, receive reports on these reports and violations, and will provide guidance and oversight.

#### (3) Promoting Use of the Internal Reporting System (Speak-Up Reporting System)

In its *Compliance Manual*, Sumitomo Chemical Group makes clear that the company carries out investigations based on the Speak-Up report with utmost consideration to protecting the privacy of a reporting person and maintaining confidentiality of information provided and that the company doesn't put the truthful reporting person at any disadvantage, such as dismissal, transfer, or discrimination, on the grounds of having made the report. The manual also states that if someone commits a compliance violation but reports it to the company of their own volition and cooperates with the Compliance Committee's investigation, the person is eligible for leniency regarding the disciplinary action that would ordinarily be proscribed. We are raising awareness of these facts among employees. Moreover, to ensure that the Speak-Up Reporting System functions in a truly effective manner, Sumitomo Chemical's Compliance Committee takes every opportunity to explain to employees that Speak-Up reporting will never disadvantage a reporting person. In this regard, the Committee has been working to help employees understand clearly that confidentiality about the reporting is maintained, any disadvantageous treatment to a reporting person is strictly prohibited, and leniency is possible. In addition, the Committee shares with employees information about how far the Speak-Up Reporting System is in use by employees.





## Compliance

### (4) Latest Results of the Internal Reporting System

As a result of initiatives promoting use of the reporting system, in fiscal 2020, the total number of reports made to the Compliance Committees of Sumitomo Chemical and its Group companies (including listed companies in which the Company holds a stake of 50% or more) was 135, a year-on-year decrease of 16 reports. Upon its receipt, each report was worked on, and an investigation was conducted promptly and cautiously into a reported incident. If compliance violations were found or if a situation that might eventually develop into an incident of violation was recognized, corrective measures were taken properly. In addition, information on a violation incident and corrective measures actually taken was shared, as necessary, by other companies of the Group so that they could prevent similar incidents from occurring in their workplace in the future.

#### ■ Number of Reports (Sumitomo Chemical Group\*)

	FY2018	FY2019	FY2020
Number of reports	149	151	135

\* Includes those listed companies in which the Company holds a stake of 50% or more

### (5) Acquired registration under the 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.

Through this WCMS Certification and registration, Sumitomo Chemical will continue to strengthen its compliance systems—including its Speak-Up System—to contribute to the sustainable development of the Sumitomo Chemical Group.



Whistleblowing  
Compliance  
Management  
System

## Response to Compliance Violations

At Sumitomo Chemical, when a compliance violation or suspected violation is discovered within a department, the compliance supervisor in the department promptly reports to the relevant department and the Compliance Committee. After submitting a report, an investigation is carried out, and if any compliance violation is discovered, corrective and preventative measures are formulated and rolled out not just to the offending department but to the entire Sumitomo Chemical Group to ensure a recurrence is thoroughly prevented. In addition, the Internal Control & Audit Department and the Responsible Care Department conduct audits from the perspective of compliance. When compliance violations are discovered through these audits, corrective action is taken directly at that time. In fiscal 2020, there were no major compliance violations related to the Sumitomo Chemical Group's business continuity.

#### ■ FY2020 Number of Compliance Violations (Sumitomo Chemical Group)

	Number of Compliance Violations
Number of significant compliance violations	0
Significant violations of antitrust and monopoly legislations	0
Significant violations of anti-corruption legislations	0
Significant violations of laws or regulations in the social and economic area besides those mentioned above	0



## Compliance

### Results of Main Compliance Activities in the Sumitomo Chemical Group

#### (1) Compliance Committee Meetings

Sumitomo Chemical and its Group companies have established Compliance Committees, which convene either regularly (at least once a year) or as appropriate. Sumitomo Chemical's Compliance Committee convened on April 19, 2021, and reported its results to the Board of Directors and Board of Corporate Auditors, from which it received feedback.

#### (2) Review and Update of the Code of Ethics

Sumitomo Chemical and its Group companies regularly consider revisions to the Code of Ethics (at least once a year). After conducting a review, if there is need for an update, it is made promptly. Sumitomo Chemical conducted a review of the Code of Ethics at relevant departments. In light of these results, we updated the Code of Ethics in April 2021.

Sumitomo Chemical Code of Ethics (*Compliance Manual*)

[https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules\\_society/](https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules_society/)

#### (3) Compliance Promotion Activities

##### (i) Compliance Risk Management Activities (Compliance Promotion Month, etc.)

Sumitomo Chemical and some of its Group companies have designated October as Compliance Promotion Month. During this month, all employees in each workplace, including manufacturing, research, sales, and various intermediate departments, participate in discussions to examine and identify all conceivable compliance risks, major or minor, that might arise in each workplace. They then go on to select those risks that need to be specifically addressed and formulate concrete measures to prevent the risks from occurring in the future. For those preventive measures that are already in place, they review once again whether or not the measures are sufficiently effective when implemented. Continuous implementation of these measures not only reduces specific compliance risks in the workplace but also helps in raising employees' compliance consciousness.

Regarding the Compliance Promotion Month initiatives of fiscal 2020, environmental changes caused by the COVID-19 pandemic were the essential topics of discussion. All major compliance risks were examined and identified in each department and concrete preventive measures were then formulated and implemented. Reports on these activities were submitted by each department, and an evaluation team that includes outside legal counsel objectively evaluated them. With the goal of further raising the level of compliance, we shared information on departments with positive evaluations and the details of their initiatives within the Company.

##### ■ List of Essential Topics of Discussion during the Compliance Promotion Month

Fiscal Year	Essential Topics of Discussion
2016	Fraud risks
2017	Collusion and harassment
2018	Information leaks and management of company assets
2019	Compliance with business laws
2020	Environmental changes caused by the COVID-19 pandemic

##### (ii) Compliance Training

In line with its firm belief that strict compliance can only be achieved with each employee having high awareness of compliance, Sumitomo Chemical places importance on carrying out compliance education on a continual basis. This includes training programs geared to management executives at Sumitomo Chemical and Group companies as well as class-based training when someone is promoted. In addition, we conduct face-to-face lecture-style training courses and e-learning training, depending on each company's specific needs and situation. In fiscal 2020, we conducted compliance e-learning training for all Sumitomo Chemical employees (around 7,000 people), and all employees received the training. In addition, Group companies in Japan conduct compliance training.



## Compliance

### FY2020 Compliance Training Status

	Status of Implementation
Sumitomo Chemical	Compliance e-learning training (including Speak-Up Reporting System, Anti-corruption) Participation rate: 100% (conducted at all worksites and departments) (already conducted training for promoted employees and individual training related to corruption prevention, quality assurance, safety, logistics, information security, etc.)
Sumitomo Chemical Group*	Percentage of employees who received training related to compliance (attendance rate) Attendance rate at Group companies in Japan: 77.9% Attendance rate at Group companies overseas: 86.6%

\* Does not include Sumitomo Chemical

### (iii) Employee Compliance Awareness Survey

In order to measure the effect of the initiatives listed above, including compliance activities and training, Sumitomo Chemical and Group companies in Japan and overseas regularly conduct employee compliance awareness surveys. In fiscal 2019, Sumitomo Chemical conducted its sixth employee compliance awareness survey. In the fiscal 2019–fiscal 2020 period, 37 Group companies in Japan and overseas conducted similar surveys. Analyses are conducted comparing Sumitomo Chemical with Group companies and Group companies with each other, a process that leads to the discovery of issues and the setting forth of measures aimed at the further improvement of compliance at each Group company.

### (4) Initiatives to Respect Human Rights and Prevent Corruption

An area of our recent focus is to strengthen those initiatives which lead to respect human rights (refer to page 151), and initiatives will more effectively serve to maintain sound business practices in companies' entire supply chains, through implementing measures to prevent corruption, such as bribes and collusion with business partners (including bribery and collusion with operators; refer to page 87).

### (5) Initiatives to Comply with Competition Laws

To fully ensure compliance with competition laws, Sumitomo Chemical has established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage competition law compliance systems for the entire Sumitomo Chemical Group under the guidance and supervision of the Board of Directors and Board of Corporate Auditors. In addition, we issued the *Competition Law Compliance Manual*, and we intend to promote the introduction of the manual by Group companies in Japan and overseas going forward. Furthermore, we are actively providing training using this *Competition Law Compliance Manual*.

Moreover, as a general rule, we prohibit executives and employees of business sectors from interacting with rival operators. We introduced an operator consultation system to permit such interactions only in the event that it is necessary for operations and, in such exceptional cases, that approval has been given in advance. In addition, product sales prices must always be independently set based on our own standards. To ensure this, when revising product sales prices and price formulae, the Company convenes the price deliberation committee, which determines the revisions after thorough deliberation.

### Status of Implementation for Training Related to Competition Laws (Including Awareness Raising Activities)

	Status of Implementation
Sumitomo Chemical	Already implemented at eligible worksites and business sectors (cumulative total of 20 times since FY2018)
Sumitomo Chemical Group*1	Group companies in Japan*2: 69.6% Group companies overseas*2: 69.4%

\*1 Does not include Sumitomo Chemical

\*2 Percentage of companies that conducted training



## Compliance

### (6) Compliance Audit

As it is also important to conduct audits of whether the operations of the compliance structure and various compliance activities are being appropriately carried out in each department of Sumitomo Chemical, and in each Group company, the Internal Control and Audit Department and the Responsible Care Department conduct compliance audits. (For more details on the Responsible Care Department's audits, refer to page 95.) Regarding matters discovered during the compliance audits, appropriate corrective measures are taken.

## Sumitomo Chemical Group Compliance Action Policy (FY2021)

Under the Corporate Business Plan, ensuring strict compliance for the entire Sumitomo Chemical Group is a basic policy, Sumitomo Chemical vigilantly monitors and addresses issues in the following areas.

- Appropriately response to Speak-Up and compliance violation investigations
- Compliance training and educational activities
- Compliance audits

We will steadily implement compliance promotion activities across the Group, further enhance Group compliance, fully respond to the amendment of the Whistleblower Protection Act, and focus our efforts on responding to new SDG and ESG trends. In this way, Sumitomo Chemical will strengthen and improve the Group's compliance system operations and continue to further enhance its effectiveness.

### FY2021 Sumitomo Chemical Compliance Action Goals

Items	FY2021 Goals	FY2020 Results	FY2019 Results	FY2018 Results
Internal Reporting (Speak-Up reporting)	Regarding the number of employees per report, maintain 100% compared to the previous fiscal year (316 people per report)	316 people per report	280 people per report	283 people per report
Compliance Training	Conduct compliance training at 95% of Group companies	Sumitomo Chemical*1: 100% Group companies in Japan*2: 95.7% Group companies overseas*2: 93.9%	Sumitomo Chemical*1: 100% Group companies in Japan*2: 97.4% Group companies overseas*2: 83.6%	Sumitomo Chemical*1: 100% Group companies in Japan*2: 97.4% Group companies overseas*2: 89.6%

\*1 Attendance rate (percentage of employees)

\*2 Percentage of companies that conducted training

## Looking Ahead

Being a global enterprise, Sumitomo Chemical's Compliance Committee, RLCOs, and Group companies are deeply committed to fulfilling their corporate citizenship responsibilities as a global corporation by carrying out the Sumitomo Chemical Group Compliance Basic Policy.



## Anti-corruption

### Basic Policy

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

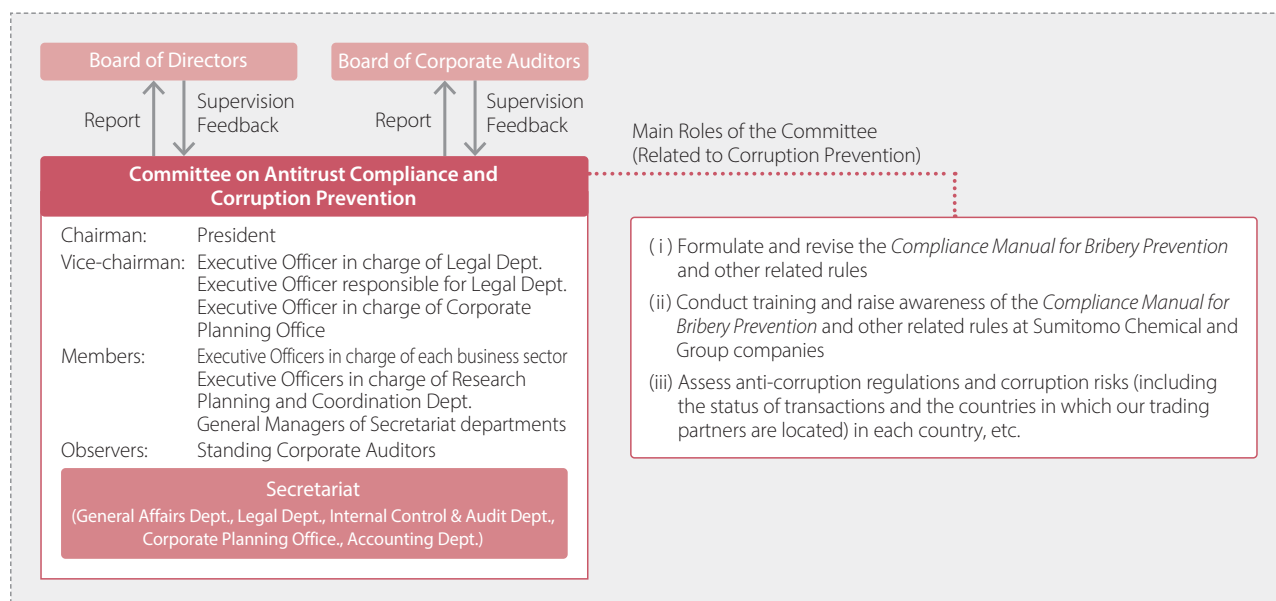
### Committee on Antitrust Compliance and Corruption Prevention

Sumitomo Chemical has established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the company's President) to establish and manage anti-corruption systems for the entire Sumitomo Chemical Group under the guidance and supervision of the Board of Directors and Board of Corporate Auditors.

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

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

#### ■ Committee on Antitrust Compliance and Corruption Prevention





## Anti-corruption

### ■ Compliance Manual for Bribery Prevention (Outline)

#### Chapter 1: General Principles

##### 1. Prohibition of Giving Bribes

It is prohibited to give bribes to a government official or to any other person or entity, including private trading partners.

##### 2. Prohibition of Accepting Bribes

It is prohibited to accept a bribe. In addition, it is prohibited to request a bribe or gift, entertainment, or other benefit from a third party.

##### 3. Prohibition of Giving or Accepting Excessive Gifts or Entertainment

It is prohibited to give or accept excessive gifts or entertainment. All forms of gifts or entertainment that may harm the Company's reputation are always impermissible.

#### Chapter 2: Prohibition of Bribing Government Officials

The provision of any form of improper benefit to a government official may be considered a bribe. Furthermore, various rules are put in place, including those related to the circumstances where any type of gift and entertainment to a governmental official is prohibited, procedures for sponsoring site visits by governmental officials, procedures for giving donations and political contributions, and compliance with local regulations.

#### Chapter 3: Rules For and During Engagement of Business Partners

It is required to conduct due diligence when the Company engages new business partners or renews engagement of existing business partners, such as agents, distributors and consultants who could interact with government officials in the course of services for the Company. It is also required to fix the appropriate compensation and to take necessary internal procedures when concluding contracts with business partners.

#### Chapter 4: Proper Keeping of Books and Records

It is required to prepare and maintain appropriate and accurate books and records related to entertainment, gifts, payments to business partners, and other transactions.

#### Chapter 5: Monitoring Legal Compliance

It is required for each department to ensure thorough compliance, for the Internal Control & Audit Department to conduct audits, and the Committee on Antitrust Compliance and Corruption Prevention to take initiatives. In addition, the Company's executives and employees are obligated to file a report when a violation (or a suspicion of one) is detected.

#### Chapter 6: Violations

The Company's executives and employees who commit violations of this manual are subject to disciplinary action.



## Anti-corruption

### Initiatives in the Supply Chain

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

### Other Measures

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

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

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

### Looking Ahead

The Sumitomo Chemical Group will continue actively promoting various initiatives across its entire supply chain going forward to prevent bribery and all other forms of corruption.





# Tax Transparency

## Basic Policy

The Sumitomo Chemical Group considers paying taxes one of the most fundamental and important social responsibilities of a company. We comply with the tax laws applicable to each country and properly pay taxes in accord with that spirit.

The Group understands that using exceedingly beneficial tax systems in regions or countries with no or low taxes (so called tax havens) hinders the collection of proper taxes in each country. By not using tax havens with the purpose of avoiding taxes and by paying appropriate taxes in the countries and regions where it does business, the Group aims to help spur economic development in those countries and regions.

The Sumitomo Chemical Group has established the Sumitomo Chemical Group Tax Policy to ensure tax transparency and enhance tax compliance.

### Sumitomo Chemical Group Tax Policy

Sumitomo Chemical Group conducts business in a wide range of countries and regions based on the Sumitomo Spirit which has been passed down through generations for over 400 years, the basic teaching of which is to contribute to society through its business activities. The Sumitomo Chemical Group recognizes that tax payment is one of the most fundamental and important social responsibilities that companies should fulfil. In accordance with the below fundamental policies, the group complies with the respective tax laws in each country in which it operates, ensuring correct tax payment in the spirit of its business philosophy. Through this, the group strives to build relationships of trust with various stakeholders and contribute to the economic development of each country and region.

### Legal Compliance

The Sumitomo Chemical Group will comply with all tax laws and regulations applicable to all countries and regions in which business activities are conducted, and will file and pay taxes accordingly.

### Tax Planning

The Sumitomo Chemical Group considers and implements tax planning measures in order to improve the cash flow of the business, but such tax planning is done fully in compliance with the laws of each country, ensuring proper consideration of the business circumstances, and does not carry out tax planning for the purposes of tax avoidance.

### Tax Havens

The Sumitomo Chemical Group understands that the use of countries or regions with low tax rates or no tax payable (known as "tax havens") will be to the detriment of appropriate tax payments in each country. Therefore, the Group does not use tax havens for the purposes of avoiding taxes but instead wishes to contribute to each country's economic development by appropriate payment of taxes.

### Transfer Pricing

The Sumitomo Chemical Group sets transaction prices so that cross-border related-party transactions are carried out based on the arm's length principle, in accordance with the OECD Transfer Pricing Guidelines, in order to ensure the appropriate tax payment in each country and region. The group also ensures regular review of the appropriateness of its profit allocation based on the functions, risks and assets of each group company and the respective contribution each group company makes to the group business. The group also prepares transfer pricing documentation in accordance with the relevant tax laws and regulations.

### Uncertain Tax Positions

The Sumitomo Chemical Group conducts business globally, and in addition to conducting various types of transactions, there may be cases where taxation related matters and tax positions may be unclear due to increasingly complex tax systems. For such cases, the group will carefully consider each situation and strive to make decisions that will minimize tax risk, such as by consulting with independent experts and utilizing advance consultation procedures with tax authorities.

### Relations with the Tax Authorities

In addition to the group ensuring appropriate filing and payment of tax in each country and region, the Sumitomo Chemical Group will also endeavor to build and maintain good relationships with tax authorities by responding in good faith to their requests.



## Tax Transparency

### Management System

The Sumitomo Chemical Group Tax Policy was established to diligently implement initiatives aimed at ensuring tax compliance and transparency, and it is shared with Group companies in Japan and overseas. We comply with the tax laws of each country and region where we do business and strictly and appropriately pay taxes.

### Goals and Results

#### ■ Corporate Income Taxes Paid (Sumitomo Chemical Group)

	FY2016	FY2017	FY2018	FY2019	FY2020
Amount of tax paid	64.3	28.7	50.2	48.7	54.4

(Billions of yen)



## Responsible Care

### Basic Stance

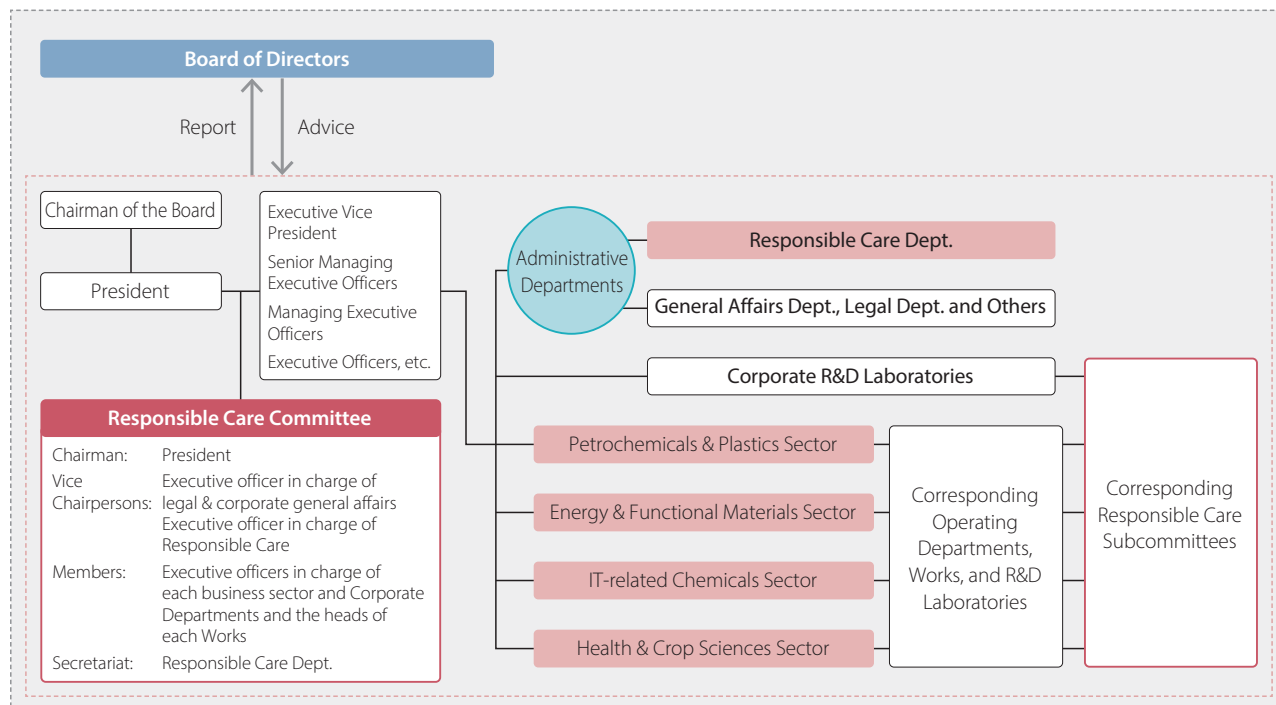
Responsible Care (RC) activities refer to the voluntary initiatives undertaken by business operators in the chemical industry, with the goals of ensuring safety, health and the environment throughout the life cycle of chemical products, from development through to the manufacture, sales, use, and disposal after final consumption, maintaining and improving the quality of those products. These activities also strive to gain the further trust of society through continuous dialogue.

The Sumitomo Chemical Group has positioned Responsible Care activities as one of its most important management pillars. Based on the core principle of “Making safety our first priority,” the Group has set goals for each of the following fields: occupational safety and health; industrial safety and disaster prevention; environmental protection; addressing climate change; product stewardship, product safety, and quality assurance; Responsible Care audits; and logistics. The Group is working to achieve the goals it has set.

### Management System

As the body for deliberating and approving Sumitomo Chemical’s RC activities, the Responsible Care Committee is chaired by the president and comprises executive officers responsible for and in charge of the administrative departments and the four business sectors of the Company, and the General Manager of each Works. The Committee puts in place annual policies on activities, medium-term plans, and specific measures as they relate to Responsible Care. The committee also analyzes and assesses the results of Responsible Care activities. The Committee then reports the content of its meetings to the Board of Directors as appropriate and receives necessary guidance in an effort to enhance its supervisory functions and the execution of its duties.

#### ■ Organization of Responsible Care





## Responsible Care

### Policies and Goals

#### Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality)

Sumitomo Chemical has set forth safety, the environment, and product quality as top priorities for all phases of its business activities in its Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality). This policy has been communicated to all employees of Sumitomo Chemical and its Group companies to ensure that each and every employee is fully aware of it.

To ensure that we, in accordance with our Basic Principles for Promoting Sustainability and the Sumitomo Chemical Charter for Business Conduct, contribute to the sustainable development of society and achieve our own sustained growth by gaining society's trust, we declare our commitment to addressing, together with Group companies, the following matters as the highest priority tasks with respect to safety, health, the environment, and product quality:

1. We will maintain safe and stable operations by realizing zero-accident, zero-injury performance and "Making safety our first priority."
2. We will ensure the safety of our employees, neighboring communities, and other stakeholders through risk-based continual improvement of our performance in occupational safety and health, industrial safety and disaster prevention, and other related areas, as well as the security of our facilities, processes and technologies.
3. We will work to ensure environmental and human health and safety throughout the life cycle of our products by promoting continual improvement in chemicals safety and product stewardship across the supply chain, and enhancing our chemicals management system.
4. We will work to protect the environment through continual improvement of our environmental performance throughout the life cycle of our products, from development to disposal, and address climate change and related.
5. We will provide safe and reliable products and services that our customers can use safely and with confidence.
6. We will not only comply with all domestic and international laws, regulations, and ordinances but also work to use best practices through our voluntary initiatives.
7. We will disclose information and engage in dialogue with society to ensure we meet society's expectations, respond to its interests, and remain accountable to the same.
8. We will contribute to sustainable development of society by improving our performance, expanding business opportunities, as well as developing and providing innovative technologies and other solutions to address social challenges.

Established: April 1, 2020

Note: Combined "Corporate Policy on Safety, the Environment and Product Quality (Established: April 1994)" and "Policy on Responsible Care Activities (Established: January 1995)"



## Responsible Care

### Promoting Responsible Care Activities

Sumitomo Chemical shares policies and targets regarding RC across the entire Group. We are working to maintain stable operations with zero accidents and zero injuries as the foundation of our business, which is one of the basic policies outlined in the Responsible Care medium-term plan. We are also striving to ensure safety, health and the environment throughout the life cycle of products as well as to improve the quality of chemical products the Company manufactures.

	Medium-term Plan (FY2019 – FY2021)
Occupational Safety and Health	<ul style="list-style-type: none"> <li>Assess the level of safety culture and safety infrastructure at each workplace and constantly strive for improvement.</li> <li>Promote safety and health activities based on international standards and adapt to a society where people can choose from a variety of flexible working styles</li> </ul>
Industrial Safety and Disaster Prevention	<ul style="list-style-type: none"> <li>Strive to strengthen safety infrastructure by introducing advanced technologies to improve management technologies, training highly skilled process safety personnel, and carefully managing facilities and construction projects.</li> <li>Strengthen our response to intensifying natural disasters and new threats, such as terrorism</li> </ul>
Environmental Protection	<ul style="list-style-type: none"> <li>Work to rapidly respond to environmental laws and regulations and continually reduce our environmental impact</li> <li>Actively work to disclose environmental information to help steadily improve our standing in society</li> </ul>
Addressing Climate Change	<ul style="list-style-type: none"> <li>Work to formulate and implement action plans aimed at achieving our science based targets (SBTs)</li> <li>Consider medium- to long-term policies for Sumika Sustainable Solutions</li> </ul>
Product Stewardship, Product Safety, and Quality Assurance	<ul style="list-style-type: none"> <li>Use the regulation data collection systems in cooperation with Group companies and establish a long-term system</li> <li>Strive to increase use of the Company's systems, including the comprehensive chemical management system (SuCCESS)</li> <li>Promote activities to prevent quality-related problems and reduce losses arising from flaws</li> </ul>
RC Audits	<ul style="list-style-type: none"> <li>Conduct audits to ensure thorough operation of the Responsible Care management system, steady improvements to its operation, and compliance with related laws and regulations</li> </ul>
Logistics	<ul style="list-style-type: none"> <li>Work to reduce the number of logistics safety- and quality-related incidents</li> </ul>

Note: More details on the key activities and initiative results for each field can be found in the following sections.

At present, we have stationed Responsible Care specialists at regional headquarters in Europe and the Americas as well as China and the wider Asia Pacific region. This has enabled us to develop RC activities rooted in each area. We established the Sumitomo Chemical Group's Safety Ground Rules in 2016 as a measure to further secure safety at all Group locations. We have since been working to promote awareness of the rules among all Group employees while further raising the level of Groupwide safety activities and eliminating work-related accidents. Moreover, we strive to ensure the safety of community residents and protect their environment while promoting mutual understanding by providing residents with information concerning our initiatives and engaging in dialogue.

Also, we continually work to develop human resources that are capable of implementing Responsible Care, for example, through training and practice at each production site and regional headquarters as well as regular meetings attended by the Responsible Care managers of Group companies in Japan and overseas. In addition, we publish a newsletter that covers various topics and information on accidents and disasters that have occurred within the Group in the hope of preventing similar occurrences. We also promote various kinds of RC activities through RC awards for excellent RC activities of Group companies.

### Looking Ahead

As global-scale issues pile up, including the response to climate change, the creation of a circular economy, and considerations for biodiversity, we, as people engaged in the chemical industry, duly regard the society's trust in us as the starting point to continue our business. To ensure continued growth together with customers, regional neighbors, and employees, we will continue to promote Responsible Care activities throughout the Group.



## Responsible Care

### Eco-First Commitments

In March 2012, Sumitomo Chemical reported the progress and results of its efforts to fulfill the Eco-First Commitments to the Japanese Minister of the Environment while announcing its Eco-First Commitments, Updated Version.

Note: The content was updated in November 2016. From fiscal 2016, measures are being taken in line with the updated content.





# Eco-First Commitments

Updated Version

November 30, 2016

**To Koichi Yamamoto**  
Minister of the Environment

**President of**  
**Sumitomo Chemical Co., Ltd.**  
**Masakazu Tokura**

As a leader in the chemical industry, Sumitomo Chemical Co., Ltd. considers the appropriate management of chemical substances to be fundamental and not only observes strict compliance with all relevant laws and regulations, but also works to ensure safety, environmental protection, health and product quality throughout the life cycle of chemical products. The Company also strives to gain the further trust of society through continuous dialogue and undertakes voluntary initiatives (Responsible Care activities) to contribute to the sustainable development of society.

- 1 We will promote the management of chemical substances and the risk communication in an appropriate and proactive manner using proprietary technology.**
  - ◆ We will review the information on the safety for all our products manufactured and sold in annual amounts of one ton or more by fiscal 2016, and we will conduct the appropriate risk assessments based on the results by fiscal 2020 using our proprietary technology. In addition we will make the results available to the general public as Safety Summaries.
  - ◆ We will collaborate with chemical companies in the world on studies of the impact of chemical substances on human health and the environment (Long-range Research Initiative) in order to improve the safety of chemical substances.
  - ◆ All the offices and facilities at Sumitomo Chemical will strive to communicate effectively with and promote information disclosure to local residents and other stakeholders in creative and voluntary ways that suit the needs of the local community.
- 2 We will develop and apply management technologies that help reduce environmental impacts to realize safe and secure water treatment.**
  - ◆ To make it easier to select the more appropriate water treatment method (either activated sludge or incineration), we will work to more uniformly standardize methods for evaluating the various kinds of process water expelled from plants.
  - ◆ We will use microbiota analysis, microbial immobilization and other proprietary technology to increase the sophistication of activated sludge treatment and thereby achieve the following goals:
    1. Ensure stable water treatment by checking and managing the health of the sludge biota
    2. Improve our treatment capabilities
    3. Switch over a portion of the treatment of wastewater for which activated sludge treatment had been deemed too difficult from incineration to such treatment
- 3 We will proactively contribute to build a sustainable society.**
  - ◆ To contribute to society through the power of chemistry (and related businesses) and encourage reductions in CO<sub>2</sub> emissions through the widespread adoption of low-carbon products and technologies, we internally designate products and technologies that help address climate change, actively promote the development and widespread adoption of these products and technologies, and make available to the public quantitative information on emission reductions.
  - ◆ We strive to improve the unit energy consumption of all plants by an annual average of 1%. We will switch to energy sources with low emission factors, introduce cogeneration systems and promote the installation of LED lighting at worksites. Through these and other efforts, we will improve CO<sub>2</sub> emission intensity from energy sources 15% relative to fiscal 2005 by fiscal 2020. As a result, total CO<sub>2</sub> emissions in fiscal 2020 will be 15%, or around 3.2 million tons, lower than those in fiscal 2005.
  - ◆ We promote internal education and environmental education activities in different regions to deepen understanding of the importance of environmental protection.

The Company will monitor the progress made in the above initiatives, make the results publicly available, and report them to the Ministry of the Environment on a regular basis.


**SUMITOMO CHEMICAL**





## Responsible Care

### Progress in Fulfilling Eco-First Commitments

Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment since November 2008. As a leading company in the chemical industry, Sumitomo Chemical is committed to fulfilling its Eco-First commitments to the Japanese Minister of the Environment while ensuring legal compliance and enhancing RC activities.

Results ● Very favorable/ ○ Generally favorable

#### Management of Chemical Substances and the Promotion of Risk Communication

##### Reviewing Safety Information on Chemicals and Conducting Risk Assessments

- Performed risk assessments for 749 products to date and publicly released safety summaries for 58 substances. ([https://www.jcia-bigdr.jp/jcia-bigdr/en/material/icca\\_material\\_list](https://www.jcia-bigdr.jp/jcia-bigdr/en/material/icca_material_list))

##### LRI\*1 Initiatives

- Promoted research by actively participating in the LRI program implemented by the Japan Chemical Industry Association as a member of the steering committee and research strategy planning group. Furthermore, we participate in the microplastics task force, which has close ties to the LRI program, and provide feedback.

##### Enhancing Information Disclosure and Risk Communication

- Published the *Annual Report*, *Sustainability Data Book*, the *Report on the Environment and Safety (at all worksites)*, local PR newsletters, etc., made information publicly available on the official website, made school visits, accepted student interns, and engaged in dialogue with local residents.

#### Realizing Safe and Secure Water Treatment by Developing and Applying Management Technology that Helps Reduce Environmental Impact

##### Considering Appropriate Water Treatment Methods and Standardizing Methods for Assessing Various Process Waste Water Expelled from Works

- In light of current operating conditions, we finished considering the standardization of each Works' methods for assessing and treating effluent from new manufacturing processes. We have prepared manuals and are promoting the adoption of standardized methods at each Works.

##### Using Microbiota Analysis, Microbial Immobilization, and Other Proprietary Technology to Increase the Sophistication of Activated Sludge Treatment

- We perform biota analyses on activated sludge used for water treatment using molecular biology methods that employ cutting-edge equipment. From this, we have gained data on microbial community structures. Using this data, we are now able to fully grasp the relationship of microbial communities in sludge to water treatment. In addition, we are working to enhance operational management and improve the effectiveness of treatment by mining this data within various parameters for active sludge treatment. One such result of this is the use of an active sludge treatment utilizing microbial immobilization for process wastewater that contains substances that are difficult to break down through the conventional incineration methods that formerly were the only viable option. This has allowed us to stabilize water treatment and reduce treatment costs. We also established a method for managing the microbes that help break down the sludge using polymerase chain reaction (PCR). Going forward, we will continue working to uncover and resolve relevant issues to ensure safety and stability.

#### Helping Create a Sustainable Society

##### Promoting Sumika Sustainable Solutions

- We are promoting Sumika Sustainable Solutions, which are initiatives to internally designate products and technologies that contribute to global warming countermeasures and environmental impact reduction. A total of 57 products and technologies have been designated, with combined sales of ¥463.3 billion in fiscal 2020 (consolidated). They are estimated to have contributed to a collective 62 million tons CO<sub>2</sub> equivalent reduction in greenhouse gases throughout their life cycles in fiscal 2020.\*2

##### Improving Energy Efficiency

- Unit energy consumption in fiscal 2020 improved 15% compared with fiscal 2005 but worsened 2.7% year on year. (Goal: Improve unit energy consumption 15% by fiscal 2020 compared to fiscal 2005 levels (Improve 1% per year on average))
- Unit CO<sub>2</sub> emissions from energy in fiscal 2020 improved 13% compared with fiscal 2005 but worsened 2.2% year on year. (Goal: Improve unit CO<sub>2</sub> emissions from energy use 15% by fiscal 2020 compared to fiscal 2005 levels (Improve 1% per year on average))

##### Holding Dialogues with Internal and External Stakeholders

- Explained to internal and external stakeholders the importance of the Company helping to create a sustainable society and the Company's related measures, thereby deepening mutual understanding through dialogue.

\*1 Long-range Research Initiative: Long-term support for research into the effects of chemical substances on human health and the environment

\*2 This value represents the amount contributed to the reduction of greenhouse gases over the life cycles of designated products expected to be sold in fiscal 2020, based on the guidelines of the Japan Chemical Industry Association and the ICCA.





## Responsible Care

### <Responsible Care (RC) Audits>

#### Basic Stance

The RC audit is a management system for verifying that RC activities, such as ensuring safety and environmental protection, and maintaining and improving the safety and quality of chemical products, are properly implemented. It also promotes process enhancement if areas for improvement are found in those activities.

To promote the Sumitomo Chemical Group's RC global management, RC audit activities are used to study and evaluate duties executed in the course of business and the status of management and supervision from the perspectives of compliance, effectiveness, efficiency, and credibility of financial reporting. By offering advice and proposals for improvement and rationalization, we can prevent compliance violations, corruption, and errors as well as protect corporate assets and enhance operational efficiency. RC audits fulfill the functions of improving management at the Company and Group companies and aid in building, maintaining, and improving the internal control system (responsible audit rules) through the following four-step approach.

**Step 1:** Sharing Sumitomo's Business Principles and Philosophy

**Step 2:** Promoting an understanding of and sharing in the Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality); RC management systems; and Group Responsible Care Standards

**Step 3:** Establishing and developing RC management systems at each Group company

**Step 4:** Carrying out modifications to the direction and adjusting levels of RC activities by undergoing RC audits

Through face-to-face communication through each of the aforementioned steps, we have successfully provided assistance so that the RC management system is set in place by taking the scale, type of business, and attributes of each Group company into consideration. Relationships built on trust with Group companies that have been nurtured through these RC audits are utilized in various initiatives including individual support and the lively exchange of opinions aimed at resolving a wide range of issues at the Group companies.



## Responsible Care

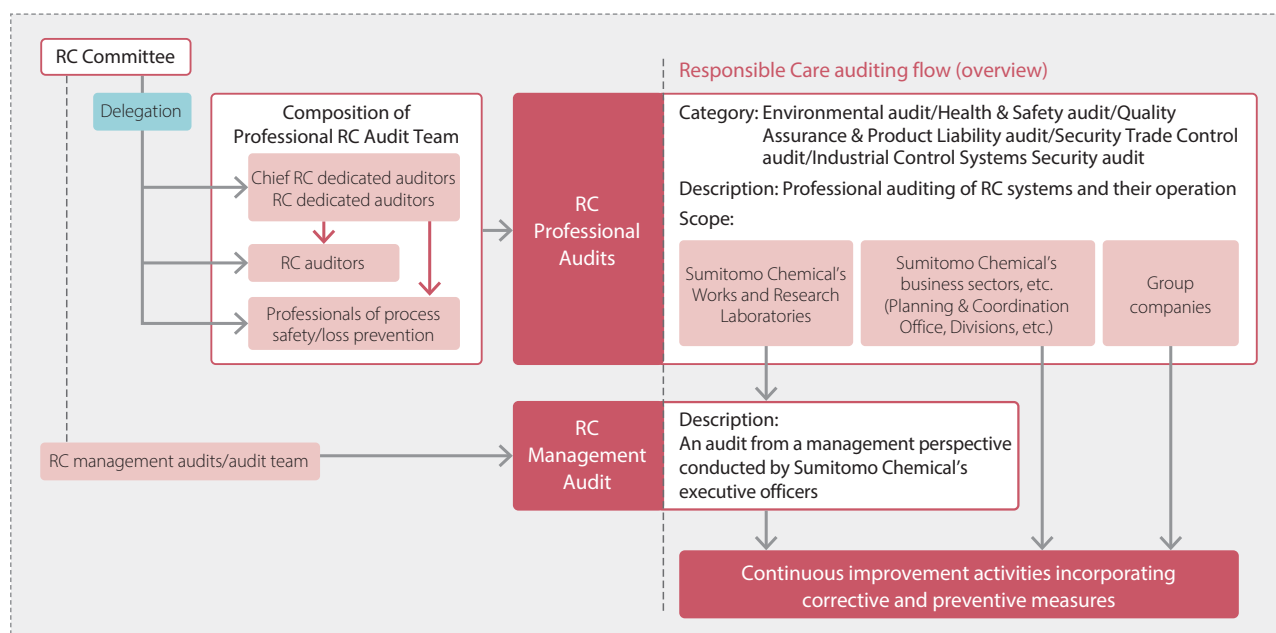
### Management System

Sumitomo Chemical has an independent RC audit team. The auditors specially designated by the executive officers in charge of RC have a wealth of knowledge, experience, and technical expertise. Based on the RC audit policies and plans approved by the Responsible Care (RC) Committee every year, these auditors directly visit and conduct audits of internal organizations as well as Group companies in Japan and overseas (consolidated business companies that have been determined to need auditing, Group business companies for which auditing has been requested, and listed Group companies (including their subsidiaries)). However, audits were conducted remotely in fiscal 2020 because in-person visits were not possible due to the pandemic. In addition, RC audits of internal Works and research labs are conducted from a management perspective by an audit team comprising Sumitomo Chemical's executive officers in charge of RC. In line with the important direction provided during an RC audit, the Works and labs report their methods for advancing corrective and preventive measures, the status of their Responsible Care activities, and important issues to the audit team for discussion.

### The Scope and Cycle

In principle, RC audits are conducted every one or two years at Sumitomo Chemical's Works and business sectors, and every three years at Group companies.

### Responsible Care Auditing Framework





## Responsible Care

### Goals and Results

#### Responsible Care Audit Results (Sumitomo Chemical Group)

Facilities		FY2018	FY2019	FY2020
Professional audits*1	Works and research laboratories	9	10	9
	Independent laboratories	1	3	0
	Logistics centers	0	0	0
	Business sectors	4	5	4
	Group companies in Japan	14	18	11*3
	Group companies overseas	13	9	2*3
Management audits*2	Works, research laboratories, and independent laboratories	6	7	5
Total		47	52	31

Note: Refer to Responsible Care Auditing Framework on page 96 for more details.

\*1 Audits of systems and operations by specialists in each field

\*2 Audits from a management perspective by Sumitomo Chemical officers

\*3 Companies subject to audit comprised 31 domestic companies (54 facilities) and 33 overseas companies (38 facilities).

Domestic audits were conducted according to plan, including the provision of remote support. Because in-person visits are crucial for overseas companies, except for 2 remote audits, the audits were postponed to fiscal 2021.

#### FY2020 Professional Audits for Facilities and Business Sectors (Sumitomo Chemical)

Area	Facilities (Works, Research Laboratories)	Business Sectors (Head Office Business Sectors)	Total
Good	12	1	13
Needs improvement	18	2	20
Needs to be examined	67	9	76
Total	97	12	109

### Looking Ahead

We continually work to prevent compliance violations, corruption, and errors as well as to improve the management of both Sumitomo Chemical and Group companies while building, maintaining, and improving their internal control systems as needed.



# Information Security

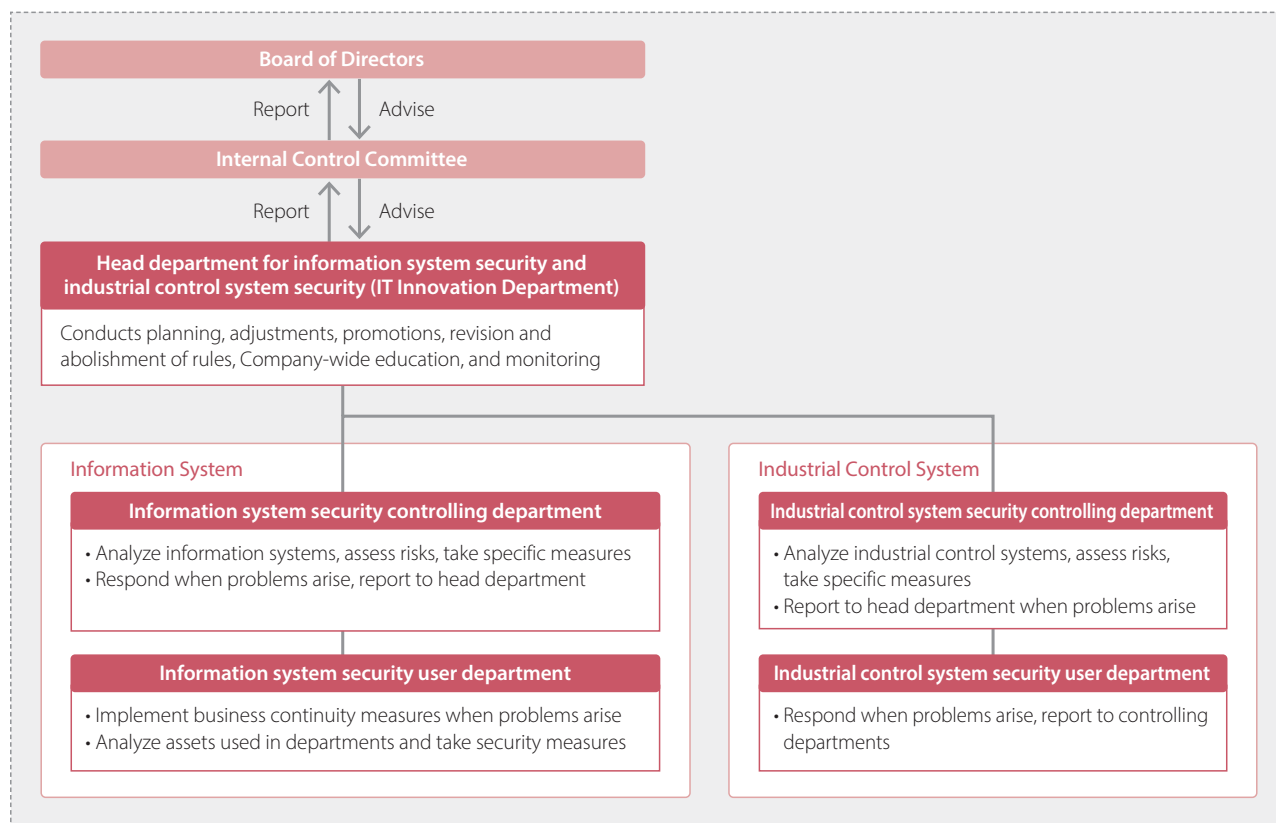
## Basic Policy

Through the utilization of IT, the digital revolution, entailing the pursuit of improved productivity, competitive advantages, and the creation of new business models, is accelerating. This has been accompanied by a rise in impacts, such as an increase in remote working opportunities and more sophisticated cyberattacks. The purpose of information security is to properly manage information, prevent leaks and loss, and minimize the effectiveness of threats to data integrity. We have therefore taken an approach that is multifaceted from the organizational, systems, personnel, technological, and physical points of view.

## Management System

Sumitomo Chemical has built the following framework for information system and industrial control system security and implements PDCA cycles.

### ■ Security Framework for Information System and Industrial Control System





## Information Security

### Goals and Results

Based on the concept of an information security management system (ISMS), we established a security policy and took necessary measures.

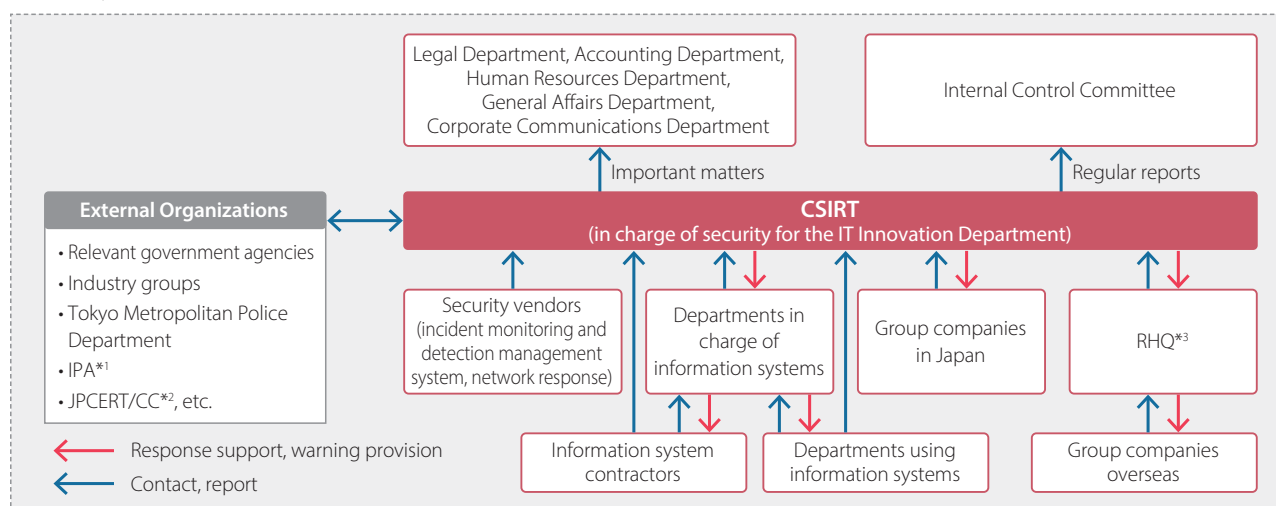
Our basic policy comprises multifaceted security measures (multilayered incident prevention and disaster mitigation), such as those outlined below.

Type of measure	Content of measure
Organizational measures	<ul style="list-style-type: none"> <li>Constructed an information system and industrial control system security framework</li> <li>Constructed an information-sharing framework with inside and outside organizations to ensure preparedness against security incidents</li> </ul>
Systematic measures	<ul style="list-style-type: none"> <li>Establish general standards and standards related to security, including for Group companies</li> <li>Periodically conduct security self inspections and conduct IT security internal audits that encompass Group companies</li> </ul>
Personnel measures	Carry out various security education programs using e-learning systems and conduct drills for security incidents
Technological measures	Implement a range of measures, including access restriction, malware measures, and vulnerability measures, for individual servers and computers as well as networks
Physical measures	Use cloud servers complete with entry/exit controls and other security features

### Examples of Initiatives

We have established a Computer Security Incident Response Team (CSIRT) in information system security head department (IT Innovation Department). The team analyzes security information from external organizations, provides warnings to the Group, gathers information on security incidents that occur within the Group, and comprehensively manages the Group's response.

#### Security Incident Response Framework



\*1 IPA: Information-Technology Promotion Agency, Japan

\*2 JPCERT/CC: Japan Computer Emergency Response Team Coordination Center

\*3 RHQ: Regional headquarters

### Looking Ahead

As an critical infrastructure operator, Sumitomo Chemical considers cyber security to be an essential management issue and will continue responding to growing threats. By taking appropriate system security measures, we will continue to create more value with the aim of supporting the global expansion of business, solving issues in the international community, and enhancing quality of life.



## Intellectual Property

### Basic Policy

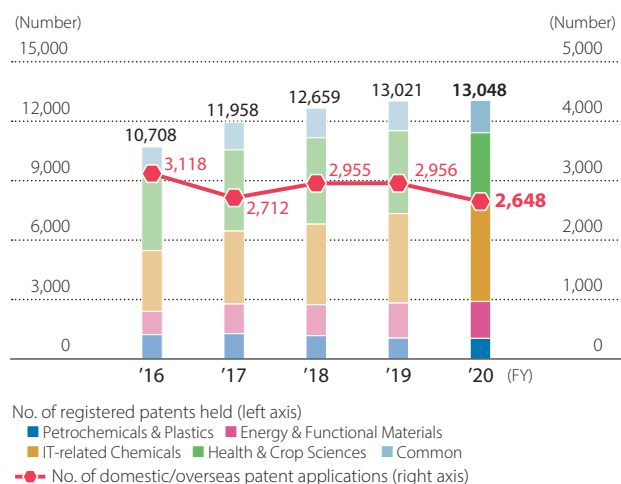
Sumitomo Chemical engages in intellectual property (IP) activities in accordance with the following basic policies:

#### IP Activities:

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

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

#### ■ Number of Registered Patents Held by Sector (Sumitomo Chemical) / Number of Patent Applications in Japan and Overseas (Sumitomo Chemical)



### Performing IP Activities

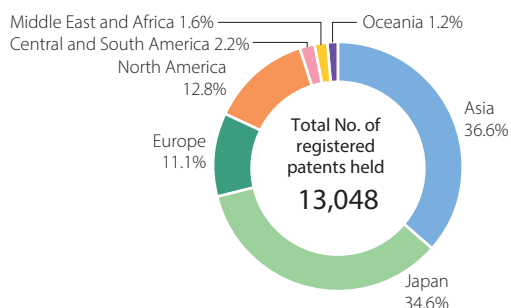
The Intellectual Property (IP) Department is tasked not only with submitting patent applications and conducting IP prosecution, but also with making recommendations as necessary for research sectors and business sectors by properly investigating and analyzing IPs, as needed, at each stage of R&D and commercialization. When searching for new themes and customer and industry candidates, Sumitomo Chemical conducts IP landscape surveys that comprehensively analyze IP and business information. We then use those surveys to draft R&D strategies, business strategies, and IP strategies. In addition, we conduct analyses of other companies' rights at each stage and strive to minimize and rapidly address IP risks. We actively use rapidly advancing IP search software and AI technologies to efficiently find and analyze relevant technologies suitable for each stage, as well as trends in other companies' patents. These searches help us build and reinforce our patent portfolio.

Amid increasingly complex and intensified competition, our Group businesses are globalizing, and hence, it is ever more important for Group companies in and outside Japan to search for and analyze IP, including patents, and to build their patent portfolios, in a manner suitable for each business's strategy and operational systems. Sumitomo Chemical carries out these activities in close contact with its business sectors and Group companies in Japan and overseas. We continue to work on filing applications and acquiring rights of IP in Asia, the Americas, and the EU to fortify the foundation of our overseas business activities.



## Intellectual Property

### Registered Patents Held by Region in FY2020 (Sumitomo Chemical)



### Joined in the "IP Open Access Declaration against COVID-19"

Sumitomo Chemical joined in the "IP Open Access Declaration against COVID-19" as a supporter in June, 2020.

The gist of the Declaration is that participants will not assert any intellectual property rights under certain conditions against any activities whose sole purpose is stopping the spread of COVID-19. Respecting this Declaration, the Sumitomo Chemical Group will consider ways to stop the spread of the coronavirus, including a possibility of cooperation with the government and industry groups.

