

ESG Briefing

Enhancement of Sustainability Management and Sustainable Value Creation

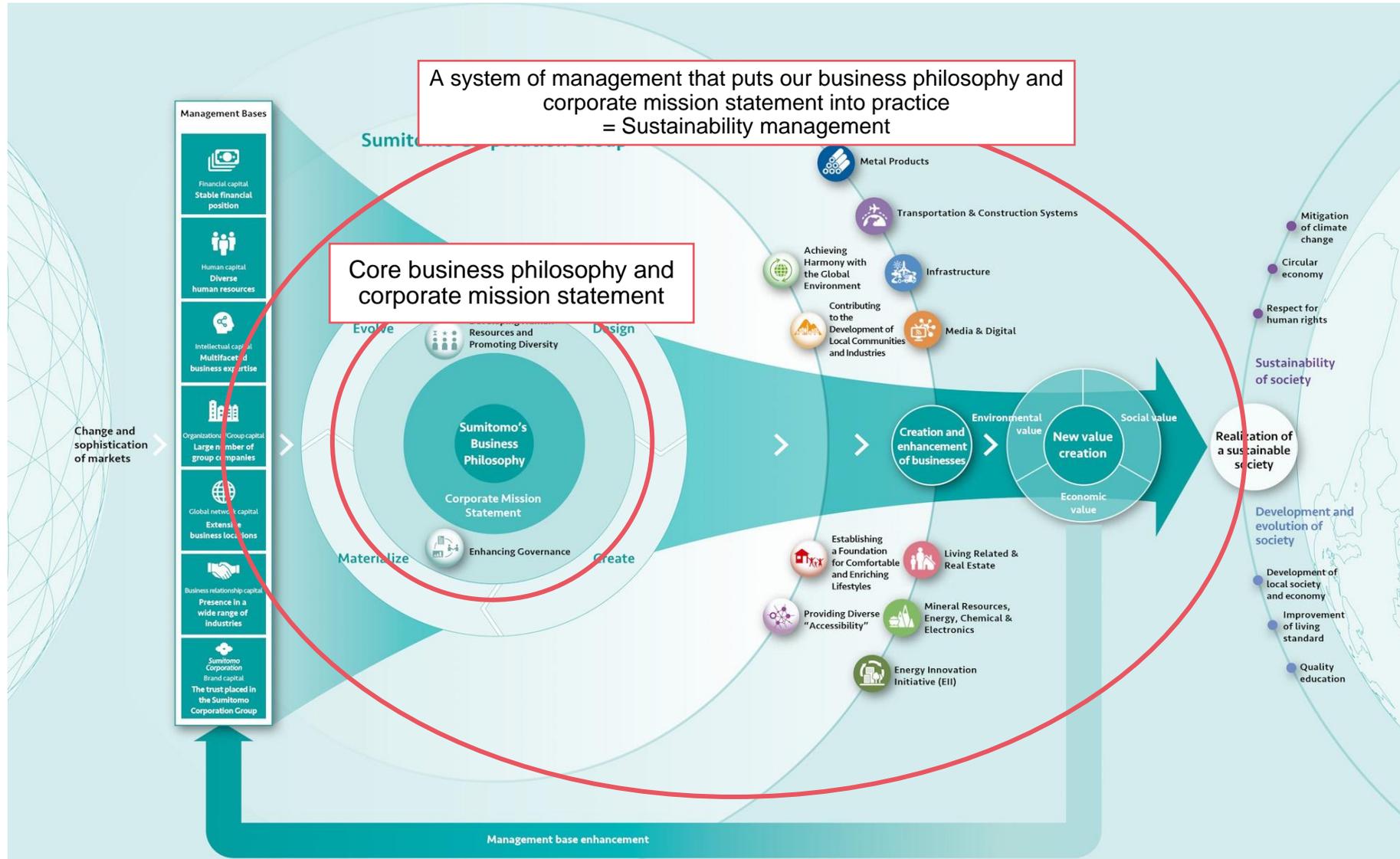
**Hideki Yamano, Representative Director,
Senior Managing Executive Officer,
Chief Strategy Officer and Chief Information Officer**

7th. Oct. 2021

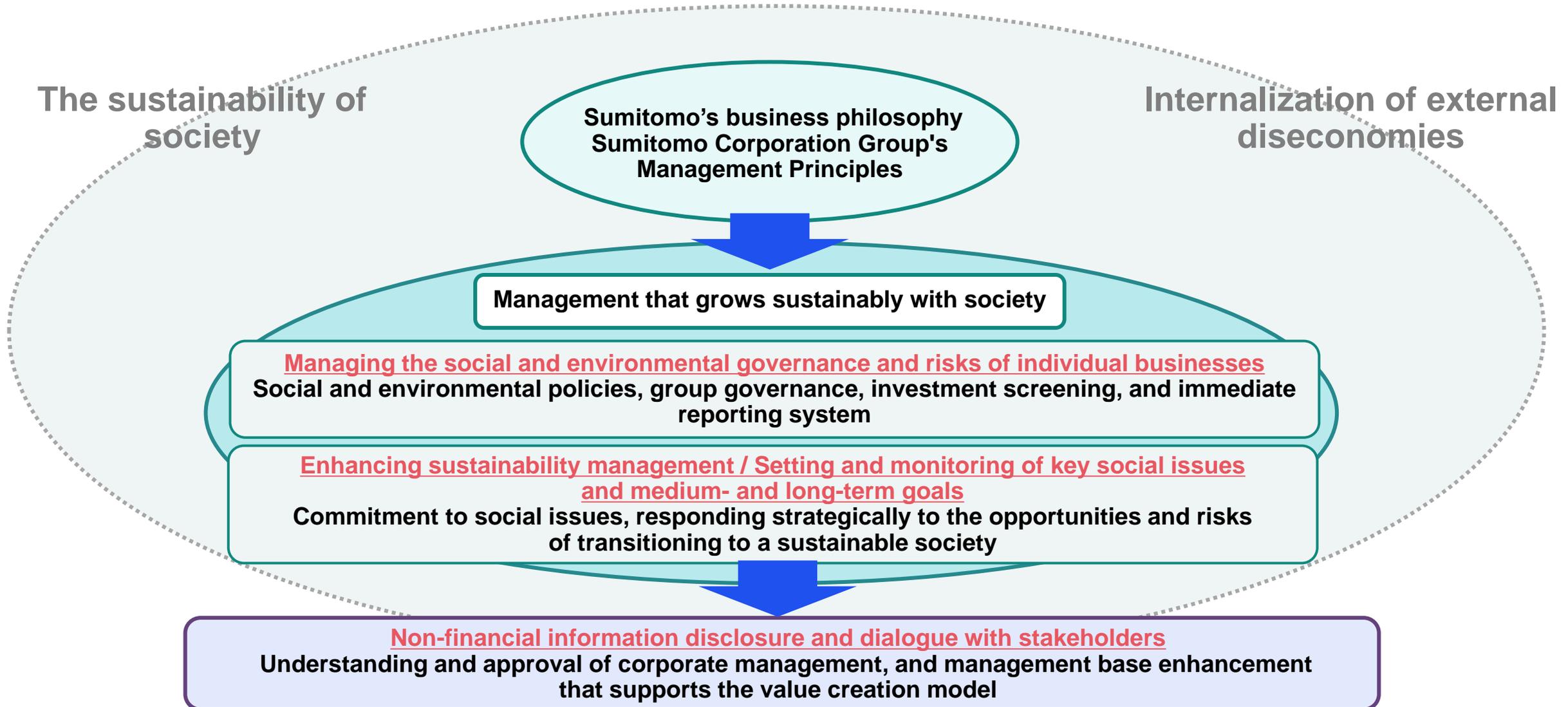
Contents

1.	Sumitomo Corporation Group Sustainability Management (1) Sustainability Management and the Value Creation Process (2) Enhancing Sustainability Management (3) Addressing Climate Change Issues (4) Initiatives for Human Rights Issues	P3
2.	Information Disclosure Initiatives (1) Information Disclosure Overview (2) Integrated Report 2021 (3) Disclosure of Non-financial Information	P12
3.	Conclusion	P18
4.	Appendix	P19~

Position of Sustainability Management in the Value Creation Model



Structure of Sustainability Management



Enhancing Sustainability Management

- Incorporating organizations' growth strategies and business management goals and turning our business portfolio into one that is compatible with a sustainable society

Key social issues (mitigation of climate change, circular economy, respect for human rights, development of local society and economy, improvement of living standard, quality education) and setting of long- and medium-term goals

- Disclosing initiatives and progress made
- Communicating with stakeholders

Business units set medium-term goals and short-term action plans based on opportunities and risks

- Progress monitoring and PDCA cycle
- Reviewing goals as required based on global trends that affect each issue

Respond at the portfolio level or business strategy level depending on the situation

e.g. Mitigation of climate change

Long-term goal :

- Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle

Medium-term goals :

- Reduce the Group's CO2 emissions 50% or more by 2035 (compared to 2019)
- Establish businesses that will form the foundation for a sustainable energy cycle in society

- Visualization of CO2 emissions
- Shifting to low-carbonized and decarbonized products and changing business model
- Investment in low-carbonization and decarbonization technologies
- Participation in proof-of-concept experiments
- Reduction of CO2 emissions at major Group companies, etc.

Response to Climate Change Issues: Response Policy and Setting Goals for Mitigation of Climate Change

- Conducting continuous review of climate change mitigation in response to future changes in the business environment

«Policies on Climate Change Issues

Medium-term goals for “Mitigation of climate change”»

Carbon-neutralize the Sumitomo Corporation Group’s business activities by 2050.

Develop technologies and business models that achieve sustainable energy cycles.

- Reduce CO2 emissions 50% or more by 2035 (compared to 2019)

[Power generation business]

CO2 emissions: Reduce 40% or more (of which 60% reduction or more from coal-fired power generation business)

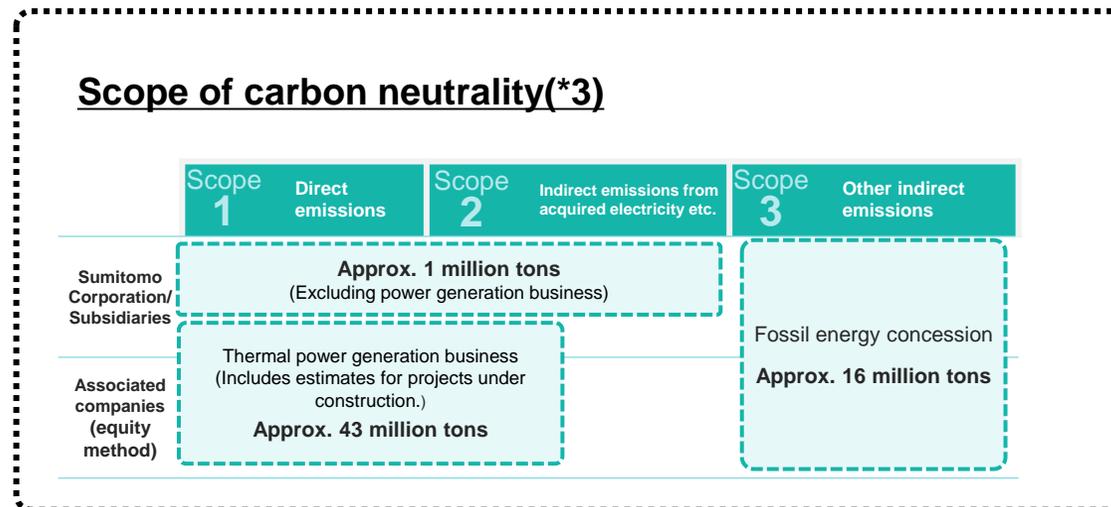
Net ownership generation capacity: coal 20%, gas 50% renewables 30%

[Fossil fuel upstream business]

CO2 emissions (*1): Reduce 90% or more

- Regarding coal-fired power generation business, no further involvement in IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction) business(*2) and will end all the coal-fired power generation business in the late 2040s. As for thermal coal mine interest, no additional investment and aim to achieve zero equity production from thermal coal mines by 2030.

- Increase supply of renewable energy (3GW or more by 2030)



(*1) Indirect CO2 emissions by others associated with the use of energy resources produced.

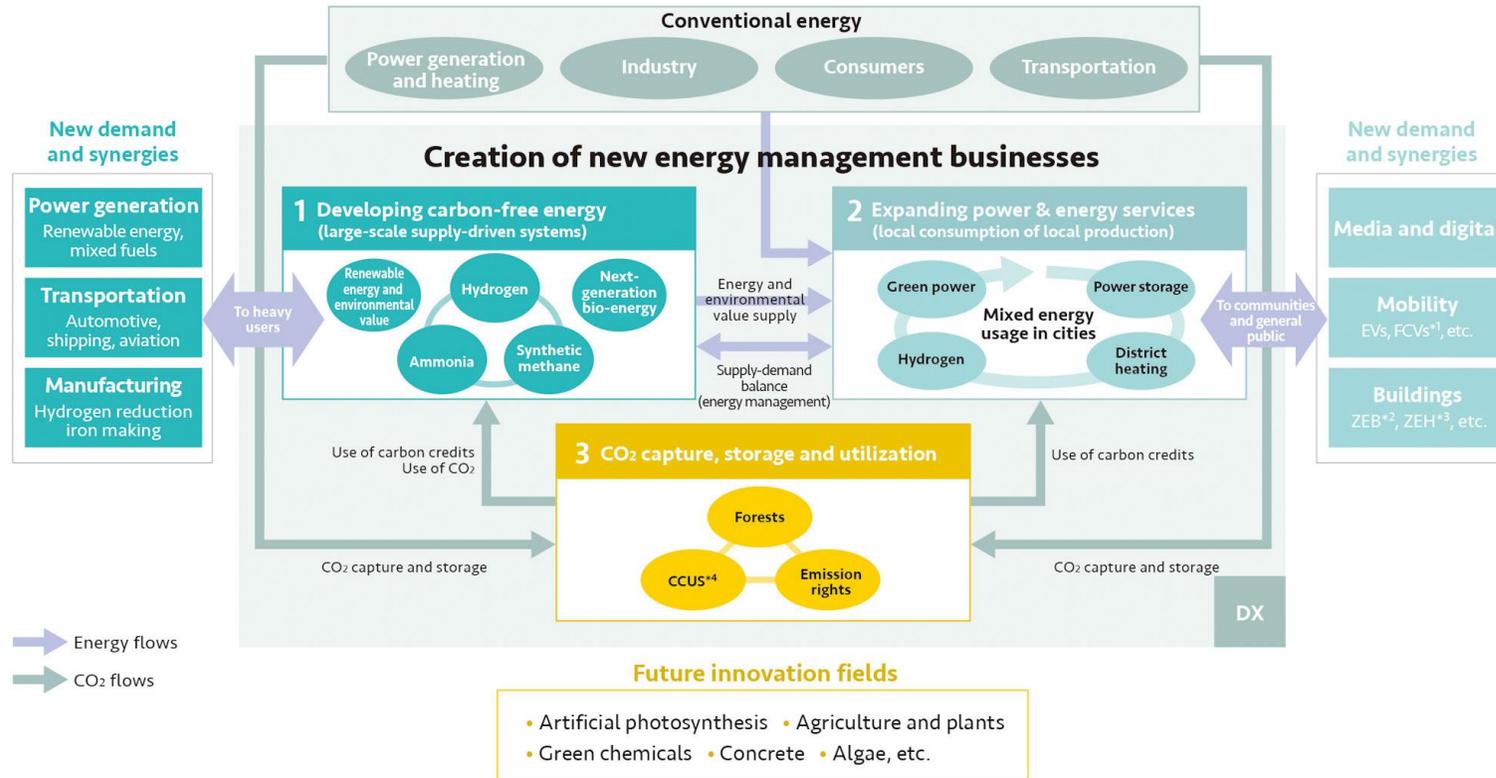
(*2) As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor. We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project’s consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

(*3) As of 2019

Addressing Climate Change Issues: Developing Business Opportunities

- Developing business opportunities that satisfy the social needs that change along with shifts in technologies and business models associated with decarbonization

Creation of next-generation businesses for a carbon-free, recycling-oriented energy system



*1 FCV: Fuel cell vehicle

*2 ZEB: Net zero energy building
A building that aims to reduce the net annual primary energy consumption to zero

*3 ZEH: Net Zero Energy House
A house that aims to reduce the net annual primary energy consumption to zero

*4 CCUS: Carbon dioxide Capture, Utilization and Storage
Technology for capturing, effectively utilizing, and storing CO₂

Addressing Climate Change Issues: Responding to Risks (TCFD Scenario Analysis)

- **Transition risks:** Analyzing sectors with significant CO2 emissions and anticipated changes in the business environment associated with low-carbonization and decarbonization

<p>Scenarios</p>	<ul style="list-style-type: none"> • NZE/Net Zero Emission Scenario : A scenario that backcasts global accomplishment of net zero by 2050 / 1.5°C increase by 2100 (50% probability) • SDS/Sustainable Development Scenario : scenario that achieves carbon neutrality by 2070 / Less than 1.65°C increase by 2100 (50% probability) • STEPS/Stated Policies Scenario : A public policy scenario in line with policies already announced / Less than 2.7°C increase by 2100 (50% probability)
<p>Business sectors selected for scenario analysis</p>	<ul style="list-style-type: none"> • Electric power: Power generation (Coal and gas), Renewable energy • Resources: Thermal coal and coking coal, Natural gas and LNG, Metals and rare metals (Nickel, copper, and iron ore) • Transportation: Vehicles (Manufacture and sales of automobile parts/sales of finished vehicles), Shipping (Shipbuilding/ship ownership and operation), Aviation(Lease business) • Material industry sector: Steel (Steel sheets & tubular products manufacturing & sales), Cement (Distribution business), • Chemicals (manufacturing/trading), Aluminium (Smelting and refining business) • Real estate sector: Office buildings/residential building sales business

Low-carbonization and decarbonization of technologies and products associated with society becoming carbon neutral (e.g. renewable energy, EVs, fuel switching, decarbonized manufacturing technologies), changes in demand (e.g. changes in customer preferences, carbon footprint management, increase in carbon management services), introducing regulations (e.g. carbon border adjustment measures, carbon pricing and sustainability financing, etc.), and other impacts

- ⇒
- **Shift to businesses with low environmental impact**
 - **Introduction of alternate technologies, utilization of CCUS, replacing parts of product portfolio**
 - **Shift in business model, creation of new businesses**

Addressing Climate Change Issues: Responding to Risks (TCFD Scenario Analysis)

- **Physical risks:** Overviewing physical risks in our business portfolio, focusing on businesses that are comparatively more seriously affected by climate change

Scenario	<ul style="list-style-type: none"> ● RCP (Representative Concentration Pathway) 8.5: Scenario that corresponds to the maximum emissions mentioned in the IPCC Fifth Report: 4°C increase by 2100
Target Sectors	<ul style="list-style-type: none"> ● Power generation, resource & interests, raw materials, transport systems, real estate, agriculture

- Survey the physical risks in our business portfolio.
- Analyze the impact of physical risks on areas that are considered sensitive to physical risks, such as those with large outdoor business bases or those that require significant natural resources, primarily from the standpoint of water stress and continuously rising temperatures.
 - ⇒ Confirm the impact of weather and geographic factors, and so force on the project at the time of investment, continue to perform assessments after investing in the project, and manage risks by clarifying the scope of contractual obligations, signing nonlife insurance contracts, etc.
(Since physical risks have various impacts on a wide range of sectors, we will consider continuing to refine our analysis, expanding coverage, and so on)

Initiatives on Respect for Human Right: Establishment of "Sumitomo Corporation Group's Human Rights Policy"

- Established "Sumitomo Corporation Group's Human Rights Policy" in May 2020

0. Preface

We respect the international norms.

"Ten Principles of the United Nations Global Compact",

"International Bill of Human Rights",

"Declaration on Fundamental Principles and Rights at Work",

"United Nations Guiding Principles on Business and Human Rights"

1. Scope of application

We endeavor to ensure that all executives and employees within its group fulfill their responsibility to respect human rights.

2. Human rights due diligence

We strive to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes.

3. Compliance with relevant laws

4. Stakeholder engagement

5. Education

6. Reporting

- Initiated human rights due diligence to identify, prevent, and mitigate human rights risks posed by the Group's business activities

<Process of Identification of Salient Human Rights Issues>

Identification and Assessment of Human Rights Risks and Impacts

- Desktop survey
- Interviews of experts on business and human rights
- Internal interviews

→ Identification of salient human rights issues

Prevention and Mitigation of Human Rights Risks

- Incorporation in risk management systems

Follow-Up and Monitoring

- Assessment of initiatives concerning human rights

In FY2020, as the first step in this process, we identified salient human rights issues to be addressed in order of priority to assess the impact and risk to human rights across the Group (see next slide p11).

Disclosure

Periodic disclosure of initiatives concerning human rights and their effects

Remediation

In cases where an adverse impact on human rights is identified, an appropriate remedial measure is investigated in cooperation with the responsible departments

Initiatives for Human Right: Establishment of "Sumitomo Corporation Group's Human Rights Policy"

● Identifying Salient Human Rights

Through desktop surveys, internal interviews, and consultations with outside experts, we identified and announced the following eight human rights issues as ones that should be prioritized and addressed by the Group.

- Labor conditions (wages and working hours)
- Occupational health and safety
- Discrimination and harassment
- Freedom of association and the right to collective bargaining
- Health and safety of local residents
- Personal information and privacy
- Forced labor and child labor
- Land rights

cf. Examples of Potential Human Rights Risks Associated with Our Businesses

Business Unit	Sector	Risk							
		Labor conditions	Freedom of association Right to collective bargaining	Forced labor Child labor	Occupational health and safety	Health and safety of local residents	Land rights	Discrimination Harassment	Personal information Privacy
Metal Products	Steel Products Processing								
Transportation & Construction Systems	Automobile Parts Manufacturing								
Infrastructure	Power, Industrial Parks								
Media & Digital	Tel-communications, e-commerce								
Living Related & Real Estate	Food, Textile								
	Healthcare								
Mineral Resources, Energy, Chemical & Electronics	Mining								

<Future Initiatives>

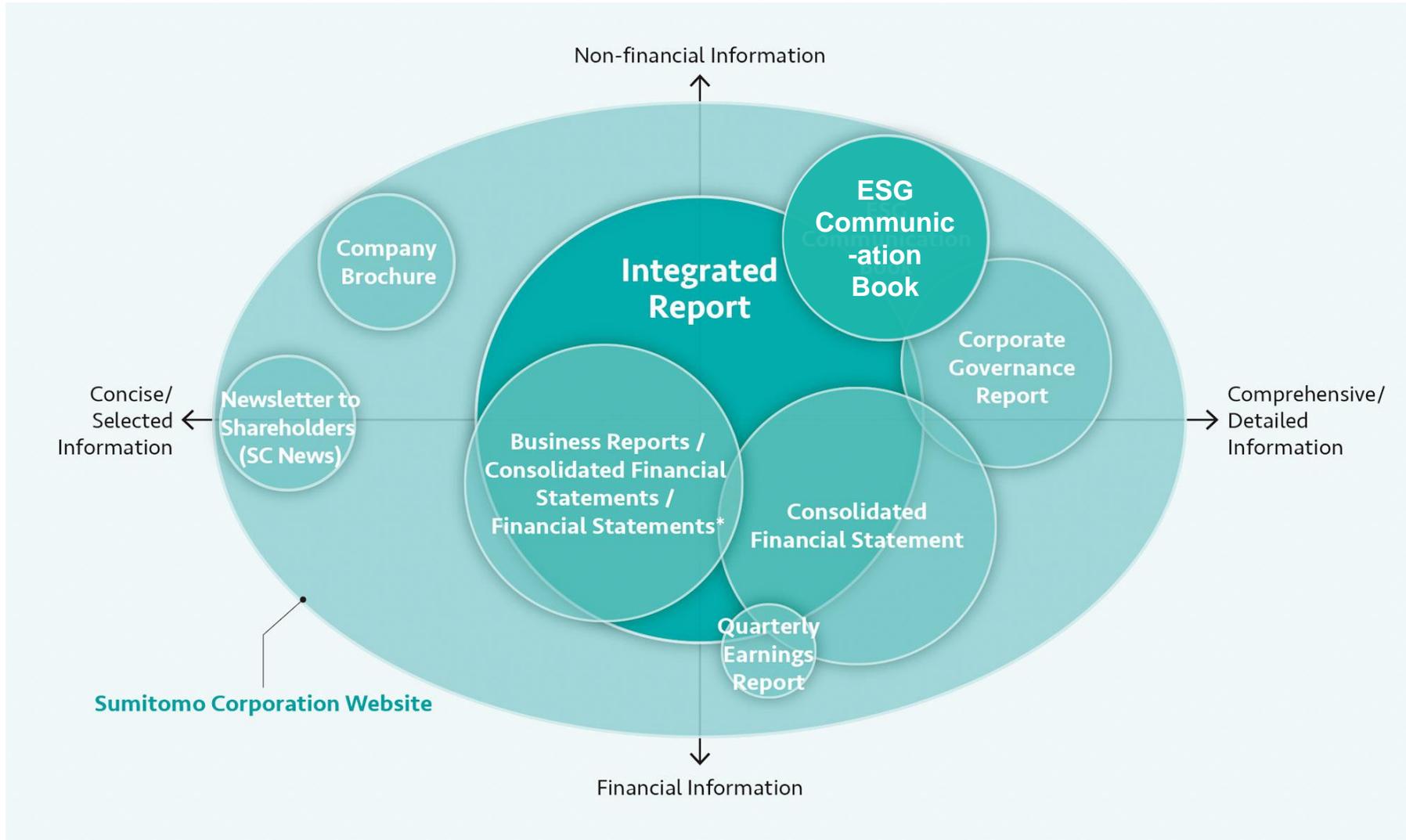
We will strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including supply chains, and implement risk mitigation measures by 2025.

We will establish a more effective grievance mechanism(*) based on assessment results.

→ **Work on this as one of the mid-term goals that is a part of our key social issues (respect for human rights)**

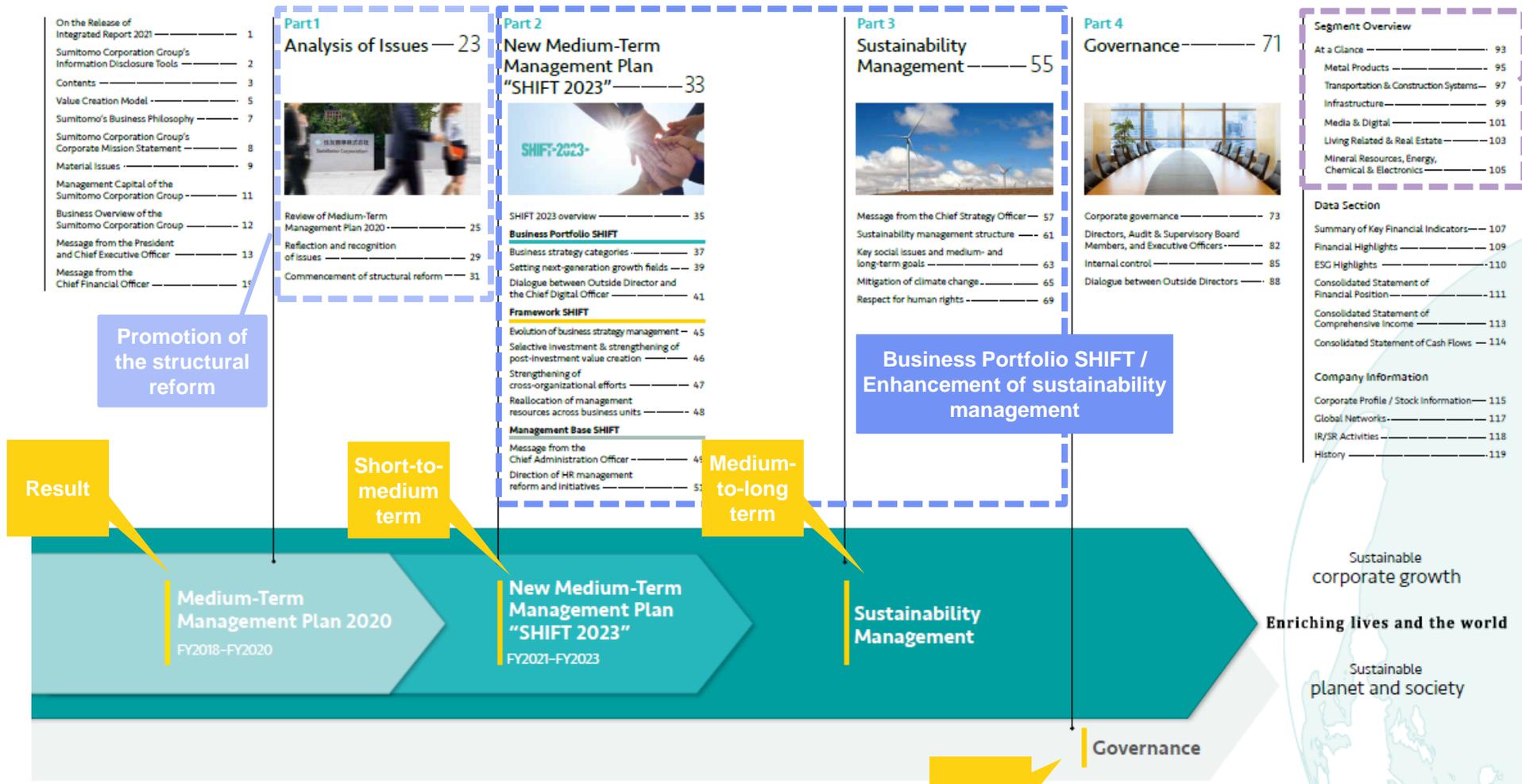
(*) Grievance mechanism: A mechanism for handling and resolving complaints

Information Disclosure Overview including Non-financial information



Integrated Report 2021: Overview and Key Points

- Overall theme: structural reforms to quickly return to a growth trajectory and a roadmap for achieving sustainable growth.
- We intend to prove the sustainable growth of the company by explaining our initiatives in new medium-term management plan, SHIFT 2023. It is explained in short- to medium-term, medium- to long-term, and long-term perspective.

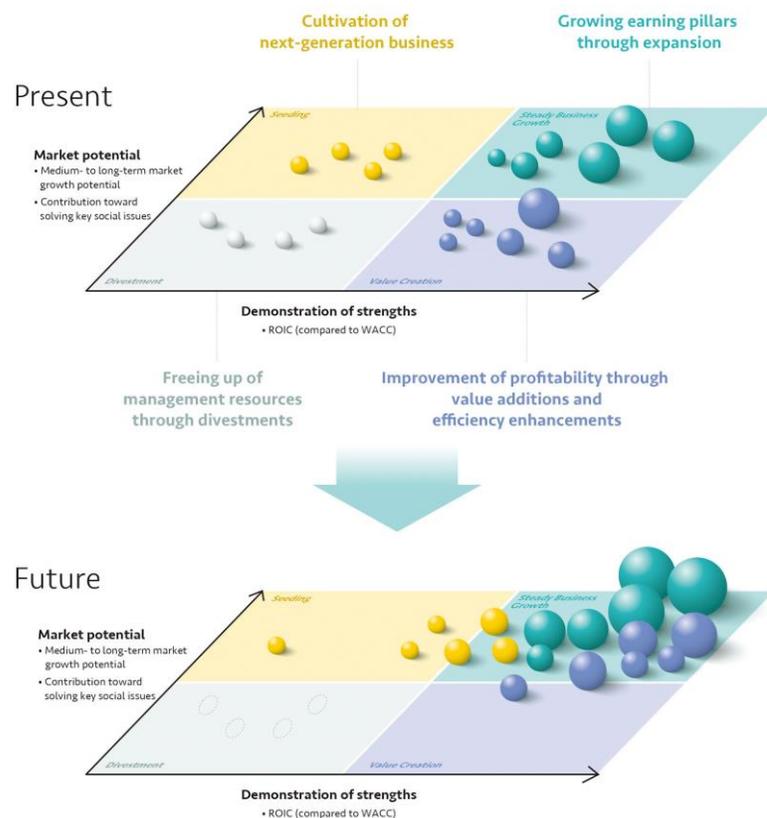


SHIFT in Business Portfolio / Next-generation Growth Field

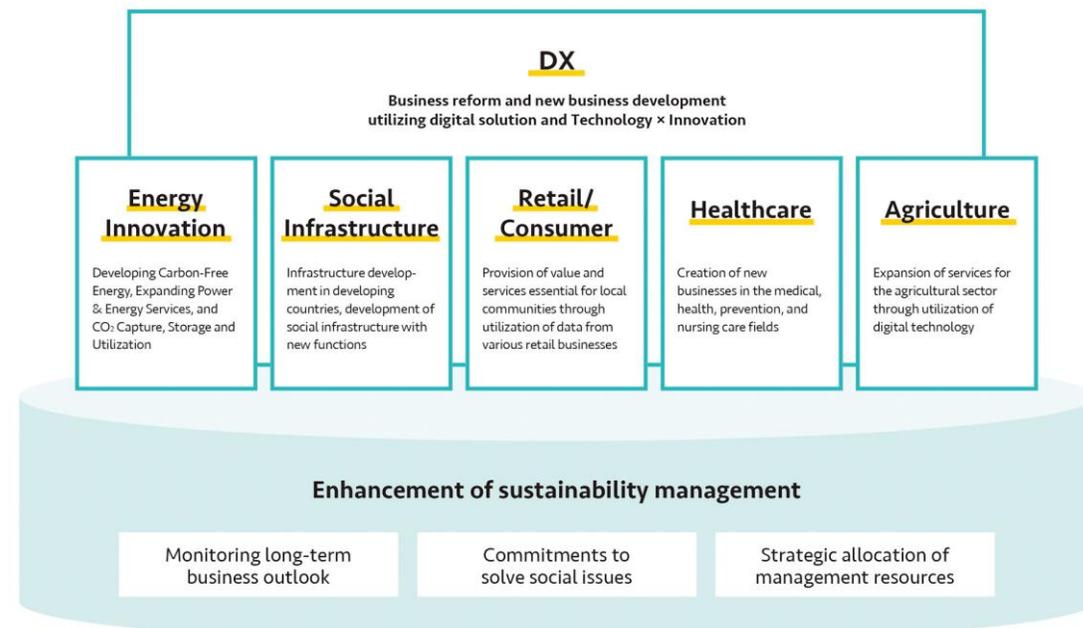
Part 2 explains key points in SHIFT in our business portfolio

- Shifting our portfolio to business areas where higher market potential can be expected and where we can fully leverage our strengths. This leads to increase profitability and to improve resiliency.
- Selecting Next-generation growth field based on social demand for sustainability.

Business Portfolio SHIFT



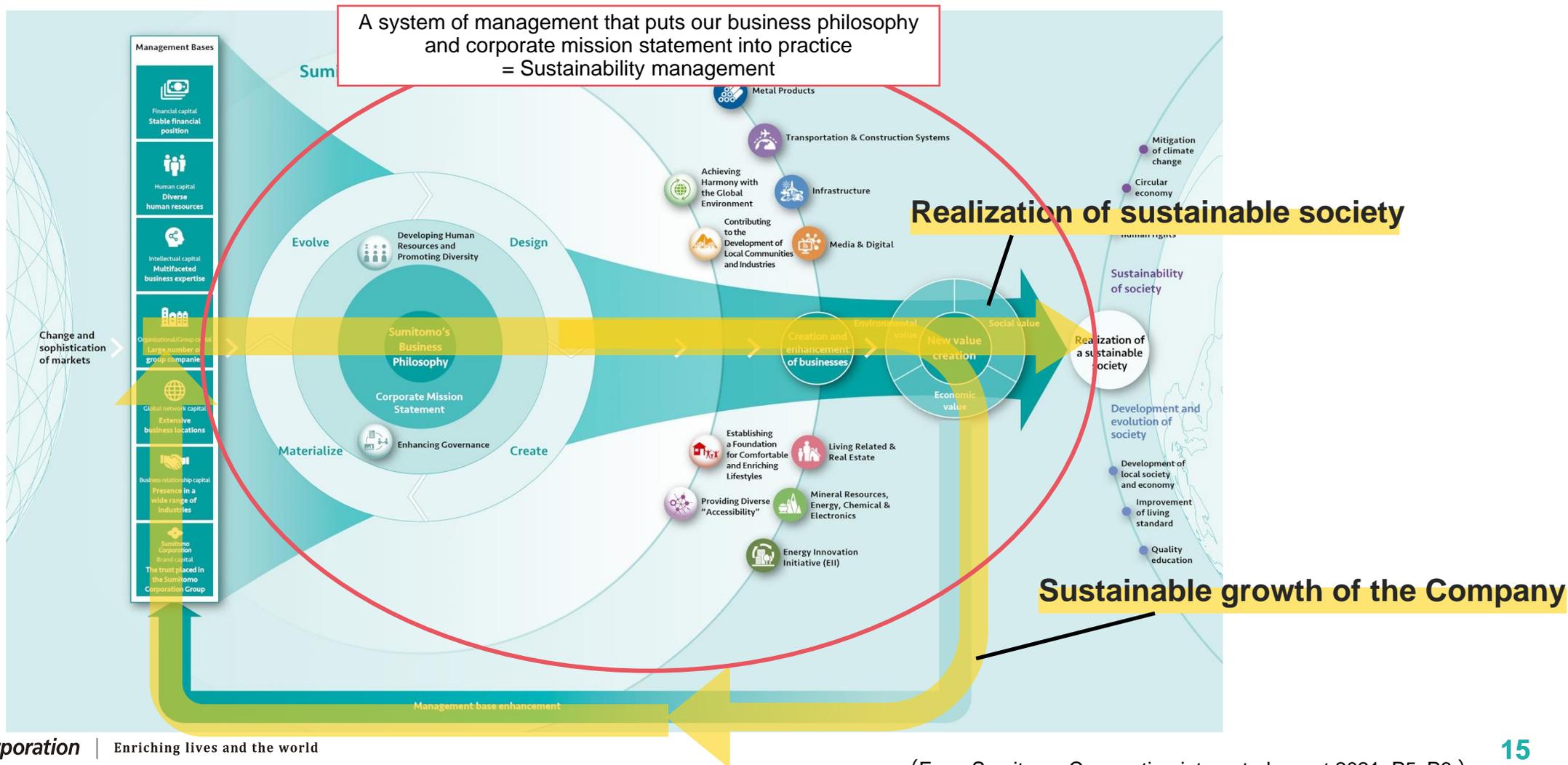
Next-generation growth fields



(From Sumitomo Corporation integrated report 2021, P38・P39)

SHIFT 2023 and the Value Creation Model

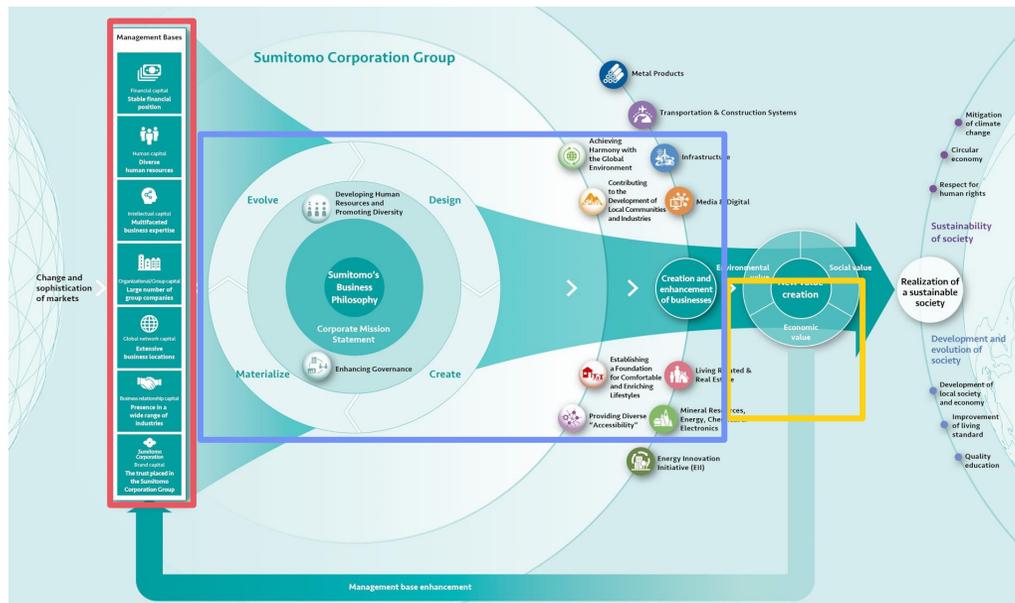
- This shows how we achieve sustainable growth by enhancing our business portfolio through SHIFT 2023 and continuing to create value to achieve a sustainable society.



Implementing the Value Creation Model in Our Businesses

- In segment overview, it shows how the value creation model is implemented in each business (in six segments).

Value Creation Model



Ex. Living Related & Real Estate Business Unit / the Domestic Real Estate SBU

Implementing a Value Creation Model in the Domestic Real Estate SBU

Optimizing asset efficiency and building an adequate portfolio

Demand for real estate investment remains high due to the effects of large-scale monetary easing around the world. Meanwhile, the environment surrounding the real estate business is also undergoing significant change, including a drop in demand from inbound tourism due to the COVID-19 pandemic and the spread of telework.



Investing Management Capital

- Intellectual capital**
Know-how passed down over many years of hands-on management of the real estate business, which is the founding business of Sumitomo Corporation
- Human capital**
Experienced human resources who inherit the know-how developed via hands-on work and steadily put it into practice
- Organizational/Group capital**
Business relationship capital
A platform that enables collaboration both inside and outside the Group in all aspects of business, including financing, tenant leasing, and building materials network

Investing in seven types of management capital

Growth Strategy

Under SHIFT 2023, we will promote the utilization of external funding and grow the development and sales and the asset management businesses into more efficient businesses. Our policy is to aggressively undertake development of office buildings, residential facilities, daily-use retail facilities, logistics facilities, and other facilities. In addition, in order to adapt to the surrounding environment, which is changing due to the COVID-19 pandemic, we will build an adequate portfolio in terms of asset type and area to create a risk-tolerant business foundation. We will also focus on improving the environmental performance of our portfolio assets from an ESG standpoint and enhancing our real estate management via DX.

Creation and enhancement of businesses

Value Created

Social value	Environmental value	Economic value
<ul style="list-style-type: none"> Providing social infrastructure to support people's daily lives through various assets Development of spaces to serve as disaster prevention bases or places for temporary evacuation and installation of stockpiling warehouses and emergency generators in our facilities Contributing to the development of local communities and industries by meeting various needs 	<ul style="list-style-type: none"> Reducing CO2 emissions and energy consumption by improving the environmental performance of portfolio properties Supplying real estate assets that have received environmental certification such as "Comprehensive Assessment System for Built Environment Efficiency" (CASBEE) or "Building-Housing Energy-efficiency Labeling System" (BELS) <p>Certifications CASBEE: 6 properties BELS: 7 properties (As of June 30, 2021)</p>	<ul style="list-style-type: none"> Engaging in more efficient business development utilizing external funds and creating added value by leveraging our real estate development know-how Providing investors with excellent investment opportunities leveraging our sourcing capabilities and management know-how <p>Management/Portfolio status 83 office buildings / 61 retail facilities Track record of supply 59,000 condominium units 11 logistics facilities (As of March 31, 2021)</p>

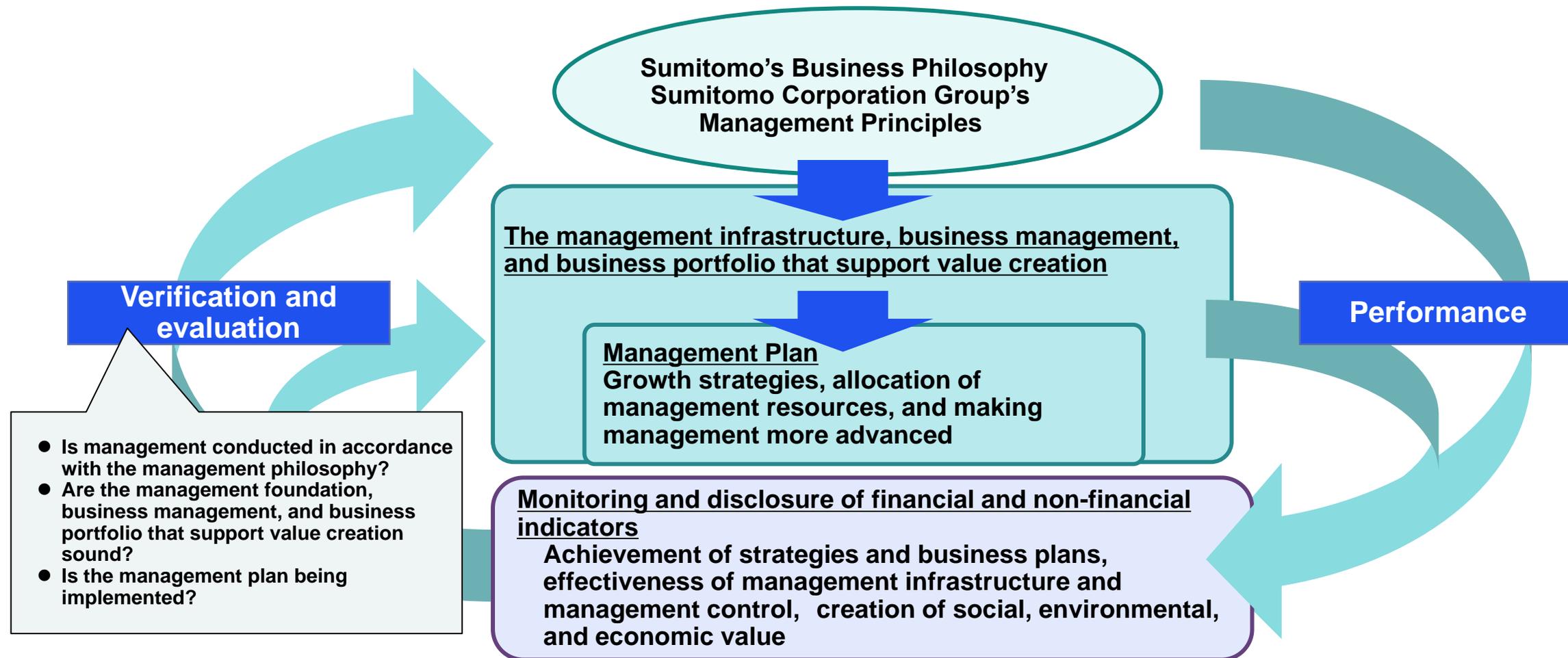
Examples of value creation

the SBUs introduced the Integrated Report 2021

Metal Products	the Steel Products SBU	Media & Digital	the J:COM SBU
Transportation & Construction Systems	the Construction Equipment Rental SBU	Living Related & Real Estate	the Domestic Real Estate SBU
Infrastructure	the Smart City SBU	Mineral Resources, Energy, Chemical & Electronics	the Upstream of Metal Resources SBU

Strategic Disclosure of Non-financial Information Based on the Value Creation Process

- Disclosure and verification of the value creation model and performance that support long-term sustainable growth, and continuous strengthening of the value creation model.



Conclusion

Timely and appropriate disclosure of highly transparent information

Management Principle and growth strategies, opportunities and risks, and the positive and negative social impacts of our business activities

Engagement with various stakeholders

Communication that provides a deeper understanding of the Group's business activities

Appendix



Sumitomo Corporation Group's key social issues and medium- and long-term goals

Key social issues	Long-term goals	Medium-term goals (newly set)
Sustainability of society	Mitigation of climate change	<ul style="list-style-type: none"> ■ Reduce the Group's CO₂ emissions 50% or more by 2035 (compared to 2019) <ul style="list-style-type: none"> – Reduce CO₂ emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity. – Reduce indirect CO₂ emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035. – Reduce CO₂ emissions in all other businesses (*3). ■ Establish businesses that will form the foundation for a sustainable energy cycle in society <ul style="list-style-type: none"> – Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)(*4), and expand new power and energy services. – Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. – Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc.
	Circular economy	<ul style="list-style-type: none"> ■ Shift to recyclable, efficient technologies and products ■ Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage <ul style="list-style-type: none"> – Expand use of raw materials derived from recycled or renewable resources. – Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.) .
	Respect for human rights	<ul style="list-style-type: none"> ■ Sustainable use of natural resources ■ Reinforce the sustainable procurement system for major natural resources used by the Group <ul style="list-style-type: none"> – Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
	Respect human rights through all of our businesses and supply chains	<ul style="list-style-type: none"> ■ Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy <ul style="list-style-type: none"> – By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries. – Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism(*5) based on assessment results. ■ Ensure a safe workplace environment <ul style="list-style-type: none"> – Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. ■ Achieve a diverse organization grounded in mutual respect <ul style="list-style-type: none"> – Provide a safe working environment that is free from discrimination and harassment. – Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.

Sumitomo Corporation Group's key social issues and medium- and long-term goals

Key social issues	Long-term goals	Medium-term goals (newly set)
Development and evolution of society	<ul style="list-style-type: none"> Contribute to development of local industries and human resources Develop industrial and social infrastructure 	<ul style="list-style-type: none"> Develop local industries, create jobs, and develop human resources through the Group's global business operations <ul style="list-style-type: none"> Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. Create employment and develop management and highly skilled human resources at the Group's business sites. Establish industrial and social infrastructure that contributes to the sustainable development of society <ul style="list-style-type: none"> Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
	<ul style="list-style-type: none"> Provide advanced lifestyle-related services 	<ul style="list-style-type: none"> Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations <ul style="list-style-type: none"> Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.
	<ul style="list-style-type: none"> Contribute to quality education 	<ul style="list-style-type: none"> Provide quality and equal learning opportunities through 100SEED(*) activities <ul style="list-style-type: none"> Quantitatively expand the scope of learning opportunities. 100% satisfaction of beneficiaries. Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).

(*) Social contribution projects with employee participation at Sumitomo Corporation Group

Sumitomo Corporation Group's Climate Change Initiatives

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050(*1).
Develop technologies and business models for creating a sustainable energy cycle by reducing CO2 emissions and achieving negative emissions(*2) for society as a whole.
- In addition to reducing and absorbing CO2 emissions from our business, we will contribute to the carbon neutralization of society through cooperative initiatives and recommendations made with business partners and public institutions.

Policy on Business Activities

- Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO2 emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio.
(in 2035: 20% for coal-fired, 50% for gas-fired, and 30% for renewables in terms of net ownership generation capacity(*3))
- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050.
We will not be involved in any new coal-fired power generation business neither IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction)(*4).
For IPP business, we aim to reduce CO2 emissions by 60% or more by 2035 (compared to 2019) and we will end all the coal-fired power generation business in the late 2040s.
We will not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

(*1) The scope of business targeted for carbon neutralization is as follows

[Scope1-2] Direct CO2 emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO2 emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)

[Scope3] Indirect CO2 emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method.

Carbon neutrality means net-zero CO2 emissions that combine CO2 emissions from our business and our contributions to CO2 emission reduction.

(*2) Negative emission refers to the absorption, capturing, and removal of CO2 emitted in the past and accumulated in the atmosphere.

(*3) As of 2020 : coal 50%, gas 30%, renewables 20%

(*4) As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor.

We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project's consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual. We will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth with society.

Sumitomo Corporation became a signatory in 2009 to the "Ten Principles of the United Nations Global Compact", which advocates for values common to its own management principles, including those regarding human rights and labor. We also respect the "International Bill of Human Rights" and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work", and we operate in accordance with the "United Nations Guiding Principles on Business and Human Rights".

1. Scope of application

Sumitomo Corporation endeavors to ensure that all executives and employees within its group fulfill their responsibility to respect human rights. In addition, we encourage our suppliers and business partners to accept, understand and practice this policy so that we can work together to fulfill our social responsibilities, including respect for human rights in the relevant value chain.

2. Human rights due diligence

Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes. Where we identify that our group's practices have caused or contributed to an adverse impact on human rights, we will endeavor to take appropriate remedial measures.

3. Compliance with relevant laws

Sumitomo Corporation will comply with national and regional laws and regulations applicable to its group operations. When those laws and regulations are incompatible with internationally recognized human rights, we will seek to employ measures to respect international human rights norms.

4. Stakeholder engagement

Sumitomo Corporation will seek to improve and progress human rights measures through engagement and dialogue with relevant stakeholders.

5. Education

Sumitomo Corporation will appropriately educate its executives and employees within its group in order to ensure that this human rights policy is understood and implemented effectively.

6. Reporting

Sumitomo Corporation will disclose appropriate information regarding its efforts to respect human rights.