

# Management Bases

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# Corporate Governance System

The backbone of our corporate ethics comprises Sumitomo's business philosophy and the Company's Management Principles. Keeping this in mind and complying with the Sumitomo Corporation Corporate Governance Principles, we work to enhance corporate governance even further to realize management that serves the interests of all of our stakeholders, including shareholders.



The Sumitomo Corporation Corporate Governance Principles can be accessed from the following web page.  
<http://www.sumitomocorp.co.jp/english/company/governance/detail/>

## Features of Our Corporate Governance System

We have adopted a company with corporate auditors system because we believe that strengthening and enhancing our corporate auditor system is the most reasonable way of heightening the effectiveness of corporate governance. In addition, we have appointed four outside directors with a view to ensuring appropriate decision making by the Board of Directors and strengthening supervision further.

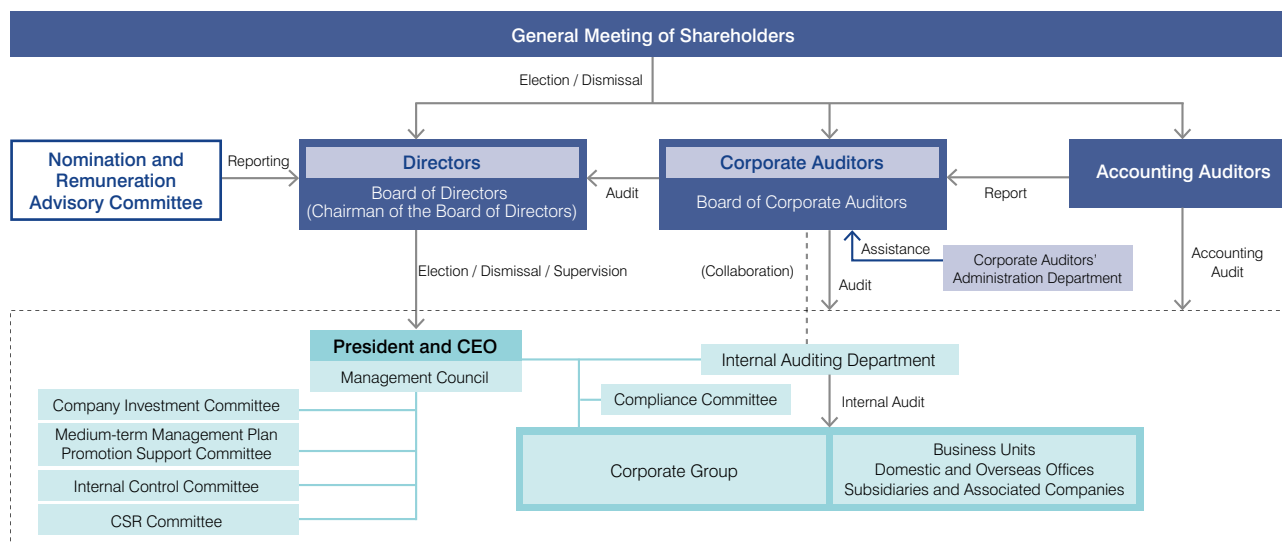
In accordance with our medium-term management plan "Be the Best, Be the One 2017" (BBBO2017), we have revised governance and decision-making processes to sustain growth and benefit all of our stakeholders. Specifically, we have established the Management Council as the highest executive-level body for decision making on operational implementation and strengthened the monitoring capabilities of the Board of Directors.

### Evolving Stronger Corporate Governance

<b>1993</b>	<b>Introduces outside corporate auditor</b> Increases to 3 outside corporate auditors in 2003
<b>April 2003</b>	<b>Establishes Sumitomo Corporation Corporate Governance Principles</b>
	<b>Reduces number of directors</b> States that "We view approximately 15 directors as an appropriate number" in Sumitomo Corporation Corporate Governance Principles
	<b>Introduces executive officer system</b>
	<b>Limits terms of office of President and CEO and Chairman of the Board of Directors</b> States that terms of office shall not exceed six years in Sumitomo Corporation Corporate Governance Principles

<b>June 2005</b>	<b>Shortens terms of office of directors and executive officers to one year</b>
<b>2007</b>	<b>Establishes advisory body to the Board of Directors</b> Establishes Remuneration Committee, which has a majority of the Committee members from outside the Company Reorganizes into Nomination and Remuneration Advisory Committee, which has a majority of outside directors, in November 2015
<b>June 2013</b>	<b>Introduces outside directors system</b>
<b>July 2015</b>	<b>Revises governance and decision-making processes</b>

### Corporate Governance System



## Directors and the Board of Directors

### Enhancing the Deliberation and Monitoring Capabilities of the Board of Directors

In July 2015, we amended criteria for submitting matters to the Board of Directors to enable its deliberations to concentrate more on important Companywide matters, such as business management strategies and plans. At the same time, we expanded the range of matters submitted to the Board of Directors so that it can increase its focus on monitoring operational implementation. Also, we established opportunities for free exchanges of opinions before decisions on important matters.

### Qualifications of Outside Directors and Regular Meetings for Exchanges of Opinions

Our four outside directors satisfy standards for independence stipulated by Tokyo Stock Exchange, Inc., and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Corporate Auditors. Each outside director has a different type of experience and expertise, and outside directors contribute to our corporate governance by providing a variety of independent viewpoints. Further, outside directors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and CEO, internal corporate auditors, and outside corporate auditors once a month in principle.

#### Reasons for Appointing Outside Directors

We deemed respective outside directors to be qualified for appointment because they have the experience stated below, contribute to appropriate decision making at meetings of the Board of Directors, and strengthen supervision even further.

Name	Reasons for appointment
Akio Harada	Highly specialized knowledge and a wealth of experience accumulated over many years as a prosecutor and lawyer
Yayoi Tanaka	Highly specialized knowledge and extensive experience accumulated through long engagement in research in the fields of evaluation studies and civil society organizational theory and the holding of a number of positions on government committees, including the Administrative Reform Promotion Council (private-sector member)
Hideji Sugiyama	Wide-ranging knowledge and a wealth of experience in relation to the industrial policy and finance fields and business management accumulated during many years of engagement in the Ministry of Economy, Trade and Industry and financial institutions
Nobuyoshi Ehara	Wide-ranging knowledge and a wealth of experience in relation to finance and business management accumulated during many years of engagement in a major U.S. financial institution and the management of a private-equity firm

### Establishment of the Nomination and Remuneration Advisory Committee

In November 2015, we dissolved the Remuneration Committee for constructive reasons and replaced it with the Nomination and Remuneration Advisory Committee, which has a majority of outside directors and is chaired by an outside director. The new committee nominates candidates for the positions of director and corporate auditor; examines the remuneration of directors, corporate auditors, and executive officers; and reports its findings to the Board of Directors. Further, we have undertaken innovations to give outside directors more opportunities to meet the executive officers who are candidates for the position of internal director by creating opportunities for executive officers to attend meetings of the Board of Directors and explain proposals.

#### Breakdown of the Nomination and Remuneration Advisory Committee

Total members	Internal directors	Outside directors	Committee chairman
5	2 (President and CEO, Chairman of the Board of Directors)	3	Outside director

### Evaluation of the Board of Directors

To maintain and heighten the effectiveness of the Board of Directors, each year directors and corporate auditors analyze and evaluate its effectiveness through such methods as self-evaluations. We disclose the results of these efforts.

In relation to fiscal 2015, from March to April 2016 we conducted a questionnaire targeting all directors and corporate auditors and had an outside consultant analyze and evaluate the results as a third party. Further, the evaluation recognized that we are implementing a variety of reforms aimed at realizing an effective Board of Directors and that these efforts are producing benefits steadily.

On the other hand, the evaluation recommended further enhancing the effectiveness of the Board of Directors by providing outside directors and outside corporate auditors with more information about business management and creating more opportunities for exchanges of opinions among executives, including executive officers.

In light of more-detailed analysis and the deliberations of the Board of Directors, we will take measures to improve the effectiveness of the Board of Directors.

## Corporate Governance System

### Corporate Auditors and the Board of Corporate Auditors

#### Enhancing Auditing Capabilities

To strengthen corporate auditing capabilities from an external viewpoint, three of our five corporate auditors are outside corporate auditors. Two outside corporate auditors are legal experts, and one outside corporate auditor is an accounting expert, which contributes to our aim of conducting audits from diverse perspectives. Moreover, our three outside corporate auditors satisfy standards on independence stipulated by Tokyo Stock Exchange, Inc., and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Corporate Auditors.

#### Collaboration between Internal Auditing Department and Accounting Auditors

To ensure audit efficiency, corporate auditors interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner.

In addition, corporate auditors exchange information with and monitor the auditing activities of the accounting auditors through regular meetings. By attending audit review meetings and observing inventory audits with the accounting auditors, the corporate auditors constantly work to improve audit efficiency and quality. Furthermore, corporate auditors attend meetings of the Internal Control Committee and request reports on the status of internal control systems from other departments responsible for internal control along with their cooperation on audits.

#### Reasons for Appointing Outside Corporate Auditors

We deemed respective outside corporate auditors to be qualified for appointment because they have the experience stated below and contribute to our aim of conducting audits from diverse perspectives.

Name	Reasons for appointment
Haruo Kasama	Highly specialized knowledge and a wealth of experience accumulated over many years as a prosecutor and lawyer
Toshio Nagai	Highly specialized knowledge and a wealth of experience accumulated over many years as a judge and lawyer
Yoshitaka Kato	Highly specialized knowledge and a wealth of experience in finance, accounting, and corporate auditing accumulated over many years as a certified public accountant

#### Ensuring Audit Effectiveness

To obtain the information necessary for proper auditing, corporate auditors attend meetings of the Board of Directors and all other important internal meetings. Further, corporate auditors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and CEO, and outside directors once a month in principle. Also, the Corporate Auditors' Administration Department is assigned to assist corporate auditors and ensure the auditing system functions effectively and without hindrance.

### Internal Audits

The Internal Auditing Department, which reports directly to the president and CEO, is an independent organization that monitors the operations of the Company and its Group companies. The department reports the status of the audits being carried out in addition to all the internal audit reports to the president and CEO directly and the results of audits to the Board of Directors periodically. The department conducts comprehensive checks that

encompass assets and risk management, compliance, and business processes; identifies inherent risks and issues; and evaluates the effectiveness and appropriateness of respective processes. Based on its findings, the department explores solutions with audited organizations and encourages voluntary improvements. Through these activities the department helps heighten the value of each organization.

#### Particulars Regarding the Remuneration of the Company's Directors

Particulars regarding the remuneration of the Company's Directors and Corporate Auditors for fiscal 2015 are as follows:

Classification	Number of payees	Total amount of remuneration, etc., pertaining to fiscal 2015	Breakdown		
			Monthly remuneration	Bonuses	New Share Acquisition Rights
Directors (particulars relating to Outside Directors)	17 persons (3 persons)	¥877 million (¥34 million)	¥720 million (¥34 million)	¥67 million	¥90 million (—)
Corporate Auditors (particulars relating to Outside Corporate Auditors)	5 persons (3 persons)	¥122 million (¥35 million)	¥122 million (¥35 million)	— (—)	— (—)

#### Notes:

- The numbers in the table above include one Outside Corporate Auditor who passed away (and thus effectively retired) on November 2, 2015.
- As of the end of this fiscal year, we had 13 Directors and 4 Corporate Auditors (including 3 Outside Directors and 2 Outside Corporate Auditors).
- No Director of the Company is concurrently an employee of the Company.
- The amounts in the Bonuses above are the upper limit of the total payments to be proposed at the 148th Ordinary General Meeting of Shareholders scheduled on June 24, 2016.
- The above stock options are the total amounts recorded as expenses in this fiscal year for granting the Fourteenth New Share Acquisition Rights (issued on July 31, 2015), the Ninth New Share Acquisition Rights (stock-linked compensation) (issued on August 1, 2014) and the Tenth New Share Acquisition Rights (stock-linked compensation) (issued on July 31, 2015).
- The maximum amount of remuneration to Directors comprising monthly remuneration, new share acquisition rights in the form of stock options, and new share acquisition rights in the form of stock options for a stock-linked compensation plan is 1.2 billion yen per year (the maximum amount of remuneration to Outside Directors is 60 million yen per year), as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
- The maximum amount of monthly remuneration to Corporate Auditors is 180 million yen per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.

## Message from an Outside Director



**Nobuyoshi Ehara**  
Outside Director

I am honored to accept my new role as Independent Director of Sumitomo Corporation after developing a long relationship and admiration for the Company extending 30 years.

Entrepreneurship and challenge have been the core foundations of my professional career. My ambition of creating value through introducing new businesses to Japan comes from these foundations. Back when investment banking business was not yet acknowledged in Japan, I established and built the franchise for a foreign investment bank in Japan. As a new challenge following my investment banking career, I pioneered the private equity business in Japan. The most valuable lessons from these experiences are the importance of taking direct responsibility of the outcome, both

successful and unsuccessful, as well as conducting thorough risk assessment. In my new role as Independent Director, I believe these experiences and lessons will allow me support Sumitomo Corporation refine its strategy and further evolve its business.

Turning points in my career have been defined by decisions that did not always conform to others. That is not to understate the value of peer input; however, the ultimate decision must come from none other than one's self. I believe the same is applicable to managing a trading company. A strategy that is no different from competitors is no strategy at all. A strategy must be established on the foundation of introspection and rigorous assessment of one's competitive advantage, followed by disciplined execution. That is what shareholders and stakeholders alike demand. I have personally come across many of Sumitomo Corporation's strengths. Now is the time for Sumitomo Corporation to reevaluate these strengths and evolve its strategies. In this process, objective perspective will certainly be helpful, which I hope to shed.

As it is my duty to represent the voices of the shareholders, I would like to ask the employees and management of Sumitomo Corporation not to fear changes and challenges; to perceive difficult business environment as opportunity; i.e. to think how they can contribute to the organization, rather than relying on the organization. Furthermore, it is important that this mentality becomes rooted in the corporate culture. I look forward to exchanging views with each and every member of Sumitomo Corporation and hope to contribute to the future development of the Company.

## Systems to Ensure Transparency of Business Management

### Establishment of Disclosure Policy

To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established a disclosure policy in July 2016.

### Encouraging the Exercise of Voting Rights at the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, we also provide an English translation of the notice on our website before sending the Notice of Convocation. We have enabled our shareholders to exercise their voting rights via the Internet using personal computers since 2004 and via the Internet using mobile phones since 2005. In 2007, we introduced the Electronic Voting Platform for institutional investors, which was established by Tokyo Stock Exchange, Inc., and is operated by Investor Communications Japan, Inc. The new platform allows institutional investors sufficient time to examine thoroughly details of proposals for consideration at the meeting.

### Investor Relations

As well as enhancing disclosure on our website, we facilitate direct communication with shareholders and other investors by holding quarterly financial results briefings for analysts and institutional investors in Japan. For overseas investors, we periodically visit the United States, the United Kingdom, other countries in Europe, and Asia to hold individual meetings with investors in each region. Moreover, since fiscal 2004 we have held regular meetings for individual investors in Japan. In fiscal 2015, we held five such meetings in four cities, which approximately 1,100 individual investors attended.

An executive officer who has responsibility for dialogue with shareholders and other investors exercises overall control of and coordinates such investor relations initiatives. Also, related in-house departments contribute to investor relations initiatives by distributing information and collecting feedback from shareholders and other investors. The Company will continue heightening the transparency of business management while strengthening relationships of trust with shareholders and other investors.

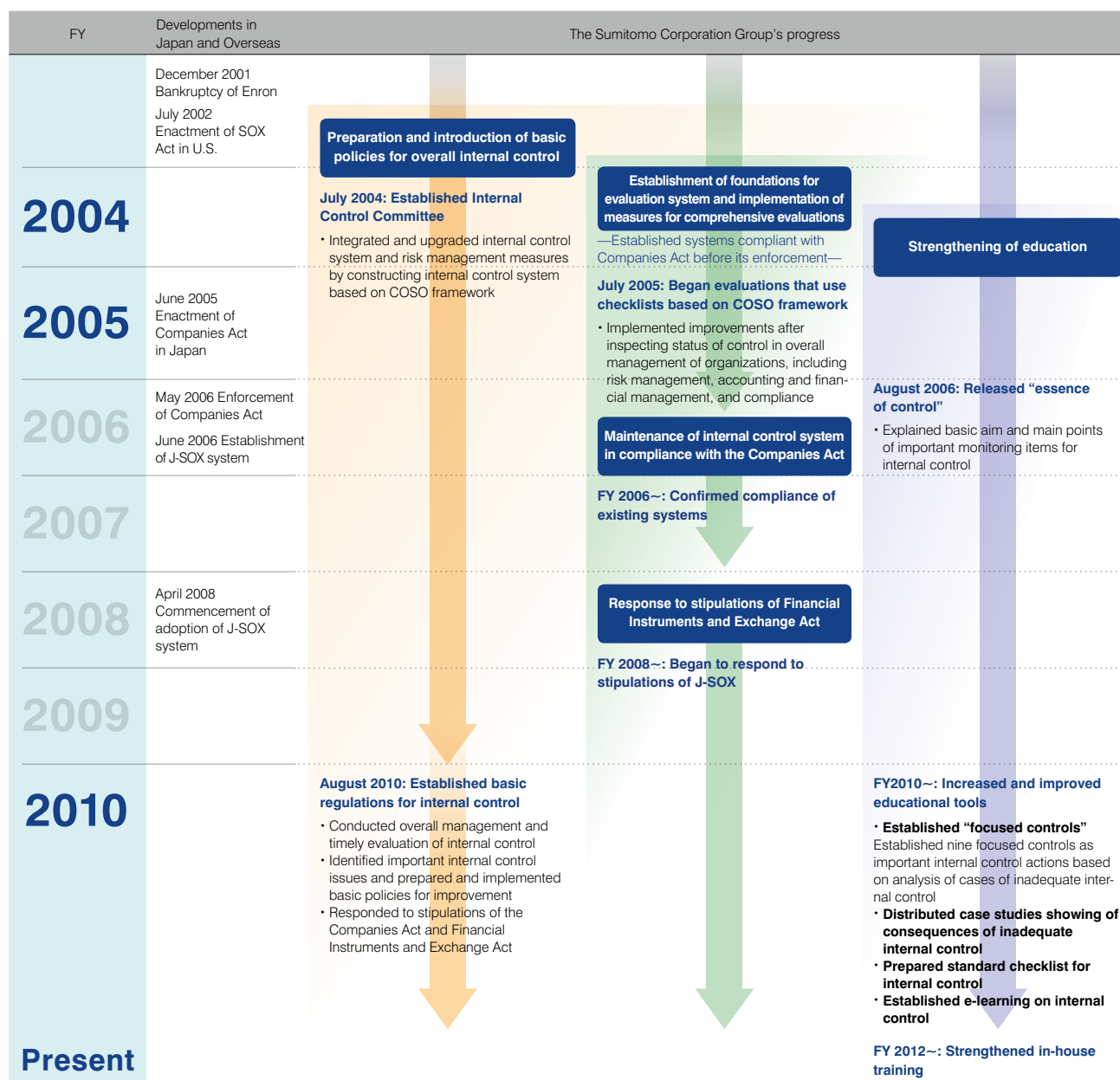
# Internal Control



The Sumitomo Corporation Group has strengthened its internal controls to retain the trust of all its stakeholders.

The Sumitomo Corporation Group comprises five Business Units as well as regional organizations in Japan and overseas. Business Units, organizations, and Group companies collectively work together in a broad range of business fields. It is essential that we provide a uniform standard for operational quality at these

businesses, irrespective of their business sector or region. Also, this standard must meet the expectations of our stakeholders. Mindful of this, since 2004, we have strengthened internal control by taking the measures shown below.



# Compliance

The Activity Guidelines serve as the fundamental basis of the Sumitomo Corporation Group's compliance initiatives: "To comply with laws and regulations, while maintaining the highest ethical standards." Giving first priority to compliance and reporting compliance issues immediately are fundamental principles of our corporate activities.



## Giving First Priority to Compliance

Giving first priority to compliance means that compliance takes priority over all corporate activities, and that the Group must never violate compliance as a result of giving priority to the pursuit of profit. To heighten the awareness of our officers and employees

towards compliance principles, we distribute compliance manuals covering our Compliance Guiding Principles and conduct various types of compliance education programs.

## Reporting Compliance Issues Immediately

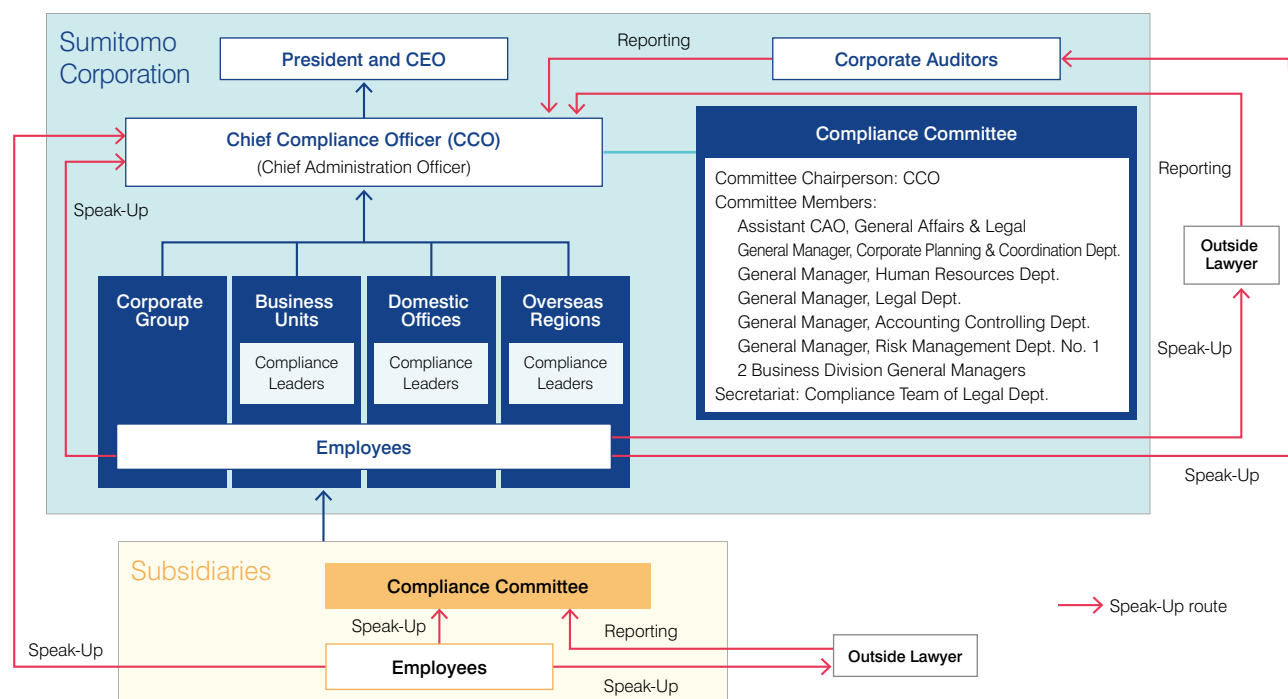
In the Sumitomo Corporation Group, we constantly remind our officers and employees about the importance of reporting compliance issues immediately. If a compliance issue arises, they must report the issue to their superiors or the relevant department without delay and take the most appropriate measures in response. To ensure the rapid and early discovery of potential

compliance issues and timely responses to them, we have implemented a so-called "Speak-Up System," which enables officers and employees to report any compliance issues directly to the Chief Compliance Officer in addition to through their normal reporting lines.

## New Compliance Regime

Aiming to enable more agile responses to compliance issues, in 2015 Sumitomo Corporation established the position of Chief Compliance Officer, who has ultimate responsibility for compliance matters. Further, the Compliance Committee, which plans and prepares compliance related measures, includes not just general managers of the Corporate Group but also general managers of

the business divisions, enabling it to examine compliance related measures in a multifaceted manner that reflects our actual business operations. In addition to such initiatives at Sumitomo Corporation, our Group companies are also endeavoring to establish internal systems giving first priority to compliance, and we are fully committed to the continued advancement of such efforts.



# Risk Management

To cope effectively with the diversifying risk environment, Sumitomo Corporation has built a framework for micromanagement, with the objective of “minimizing losses from individual transactions,” and for macro-management, with the objective of “maximizing corporate value.” The frameworks support the efficient management of our corporate resources and are strongly linked to the management plan.



## Purpose of Risk Management

We define “risk” as the “possibility of losses due to the occurrence of anticipated or unanticipated situations” and as the “possibility of not achieving the expected return on business activities.” We have set the following three items as the purpose for our risk management activities.

1. Stabilize Performance: Minimize discrepancies between the plan and the actual results
2. Strengthen Financial Base: Maintain Risk-adjusted Assets within the buffer (shareholders' equity)
3. Maintain Corporate Reputation: Fulfill CSR requirements and preserve corporate reputation

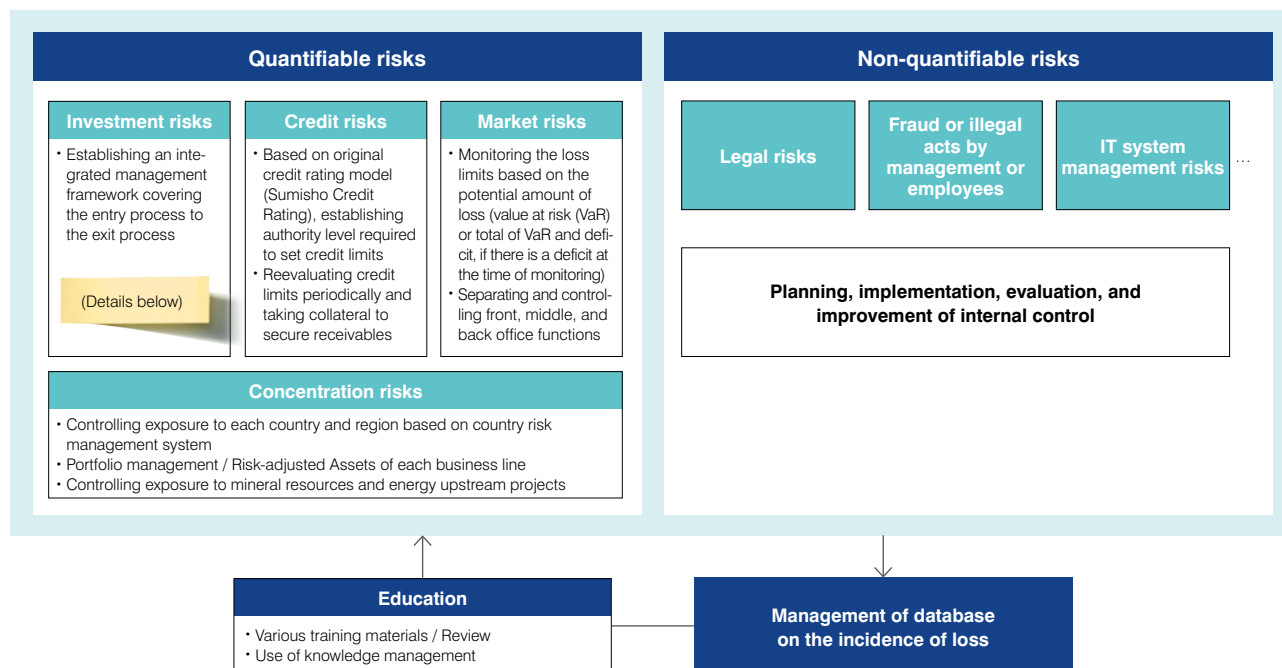
## Risk Management Basic Policy

We classify our risks into two categories: Quantifiable risk and Non-quantifiable risk. Quantifiable risk is defined as “value creating risk,” which we proactively take to generate a return. Our policy is to maximize the Risk-adjusted Return while maintaining Risk-adjusted Assets within our buffer. Non-quantifiable risk is defined as “value breaking risk,” which only generates losses when it surfaces. We are engaged in efforts to prevent or minimize the probability of this risk materializing.

## Risk Management Framework

Quantifiable risk includes credit risk, related to changes in the creditworthiness of business partners; market risk, such as fluctuation in the prices or liquidity of owned commodities; and investment risk, which is the risk of investee's businesses not progressing according to initial expectations. Also, the excessive

concentration of these risks in a specific area is concentration risk. We maintain the amount of Companywide risk within the scope of our buffer and manage risk based on frameworks that are designed to maximize return and realize return befitting respective risk.



## Managing Investment Risk

Once an investment is made, it can be difficult to make a withdrawal decision, and the loss encountered in this situation can be significant. Therefore, in light of the recognition of impairment losses in fiscal 2014, we have significantly reformed our assessment and follow-up processes for investments, establishing an integrated framework to manage investment risk that covers the investment entry process through to the exit process.

For the entry process, we set a rigid hurdle rate to ensure that the returns expected on projects are enough to justify their risks.

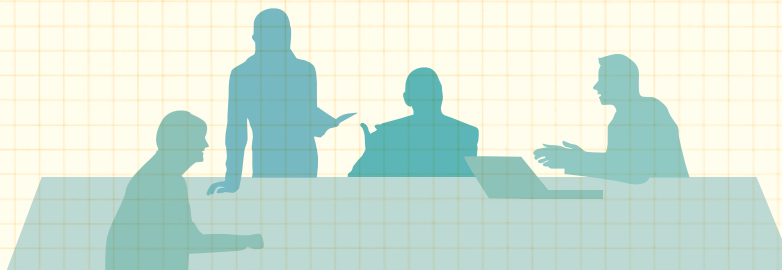
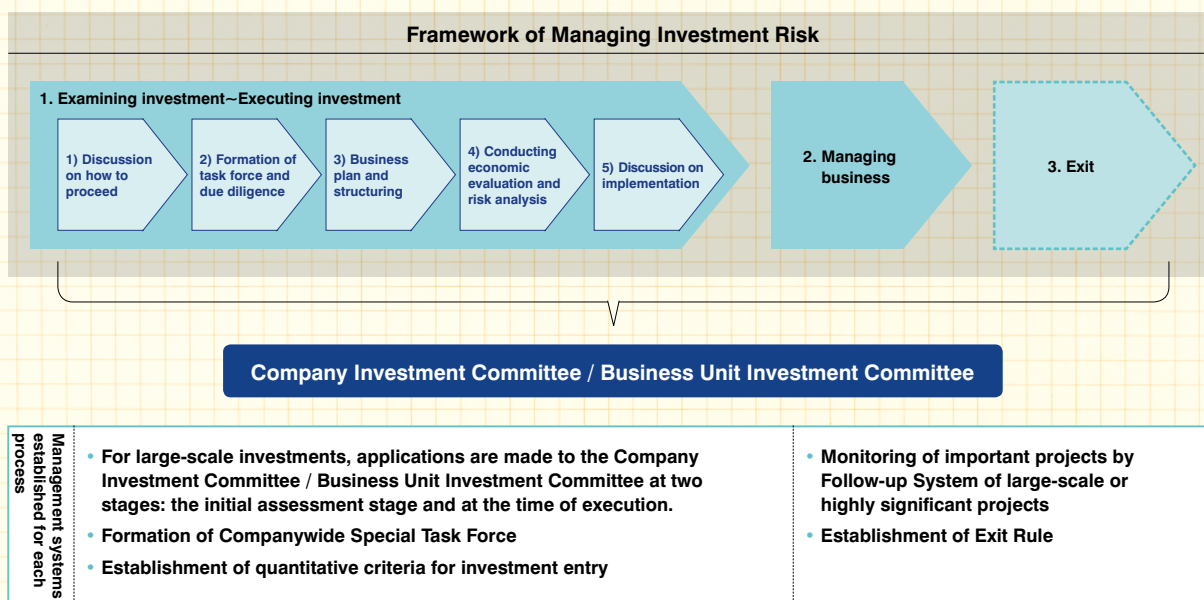
Further, in relation to decision making for investment candidates, in accordance with the criteria of exposure and importance of the investment, we hold meetings of the Business Unit Investment Committees of respective business units and the Company Investment Committee to ensure wide-ranging discussions early in the assessment and implementation stages concerning Head Office strategies, the background and reason for

its selection, and various conditions that could affect the success of the investment.

In particular, for large-scale or highly significant projects, we ensure adequate assessment of whether or not to proceed by forming a Companywide Special Task Force, which comprises not only the business unit directly responsible for the project but also related business units and corporate groups, and concentrates all resources we have available.

Furthermore, regarding monitoring after investment, for important investments the Company Investment Committee leads follow-up activities that include planning and implementation of measures to improve business results.

Also, when the performance of an investment falls short of required standards after a certain period from its inception, we have an Exit Rule that designates such investment as an "Investment to withdraw from."



# Human Resource Management

The Sumitomo Corporation Group is actively pursuing human resource policies for the strategic and well-planned recruitment, development, and utilization of human resources who can understand and practice the Group's Management Principles and Activity Guidelines in order to contribute broadly to society and continue creating new value over the medium and long terms.



## Human Resource Management Policy

### Aiming to “Be the Best, Be the One”

Effective recruitment, development, and utilization and the active involvement of human resources who can lead global businesses are the most important issues for the Sumitomo Corporation Group to win out the current ever-changing business environment and achieve sustainable growth.

For this reason, we are making continuous efforts toward training and fostering new employees on a Companywide basis, the dissemination of Sumitomo's business philosophy—the basis of the Management Principles—and developing human resources. We use a combination of on-the-job training and off-the-job training to promote effective development of human resources, with the former based on job rotations and the latter reflecting the characteristics of each business, while encouraging the active involvement of diverse human resources.

Under the medium-term management plan “Be the Best, Be the One 2017,” to strengthen individual ability on a global basis, in April 2016 we introduced a new Human Resource System aiming to accelerate human resources development. In addition, we will promote the appropriate allocation of human resources in line with the medium-to-long-term strategy.

## Vision of the Human Resources We Seek

Human resource development will play an essential role in realizing the vision for the Company in its centennial year in 2019.

In developing a vision of the human resources we are seeking to build our foundation for the next 100 years, we are promoting the following three factors, starting with the necessary qualities, action, and abilities:

1. People with spirit and a lofty sense of ethics
2. People who accept diverse values but think for themselves and act on their own initiative
3. People who can create new businesses themselves without being constrained by existing frameworks

This vision of human resources has been determined on the basis of the value standards defined by the Management Principles and Activity Guidelines of the Sumitomo Corporation Group as well as in light of the nine core behaviors of the SC VALUES, which all employees are expected to share and practice. Sumitomo Corporation is seeking human resources who have a clear vision and strong commitment, as well as demonstrate leadership at their respective levels of the organization, through the practice of the SC VALUES. We also seek professionals who can take responsibility for what they do, display a broad spectrum of knowledge and high-level expertise in a particular area, and achieve superior performance.

## SC VALUES

- |  |   |
|--|---|
| <b>1. Integrity and Sound Management</b> | To comply with laws and regulations, while maintaining the highest ethical standards.                         |
| <b>2. Integrated Corporate Strength</b>  | To create no boundaries within the organization; always to act with a Companywide perspective.                |
| <b>3. Vision</b>                         | To create a clear vision of the future, and to communicate to share it within the organization.               |
| <b>4. Change and Innovation</b>          | To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action. |
| <b>5. Commitment</b>                     | To initiate, own, and achieve organizational objectives.  |
| <b>6. Enthusiasm</b>                     | To act with enthusiasm and confidence, and to motivate others through such action.                            |
| <b>7. Speed</b>                          | To make quick decisions and act promptly.   |
| <b>8. Human Development</b>              | To fully support the development of others' potential.  |
| <b>9. Professionalism</b>                | To achieve and maintain high levels of expertise and skills.  |

## Human Resource Management Initiatives

## Recruitment

Based on a fair employment policy that respects basic human rights, we employ diverse personnel who are able and eager to work in the global business arena.



A large recruitment seminar in which the president and CEO participated

## Development

Promoting global talent development through a combination of on-the-job and off-the-job training



Long-term training for selected employees to develop future executives

## Utilization

Enabling active involvement of diverse employees and motivating each employee



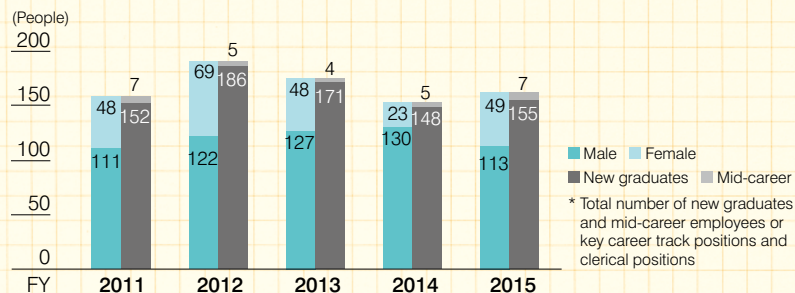
Triton Sukusuku Square in-house nursery

## Recruitment

## Recruiting Personnel Who Will Lead Global Development

As a global business, we seek talented personnel who are able and eager to work in the global business arena. To this end, we conduct fair recruitment activities with respect for fundamental human rights. Specifically, we apply the same screening process to all employee candidates, irrespective of their gender, academic background, or nationality, and our selection criteria consist only of applicants' aptitudes and abilities.

As part of our human resource strategy, in addition to new graduates, we regularly recruit mid-career employees to secure capable personnel who can contribute to operations immediately.



Number of New Employees and Breakdown

## Promoting Employment of the Disabled Sumisho Well Support

In 2014, we established Sumisho Well Support Co., Ltd., as a special subsidiary company. Currently, 12 employees are engaged in a variety of jobs, including the production of business cards and data entry operations. Through this subsidiary, we promote the employment of the disabled. As of June 1, 2016, the employment rate of the disabled was 2.13%\* of our workforce, above the 2.0% statutory level.

\* Total for the Company on a nonconsolidated basis and Sumisho Well Support Co., Ltd.



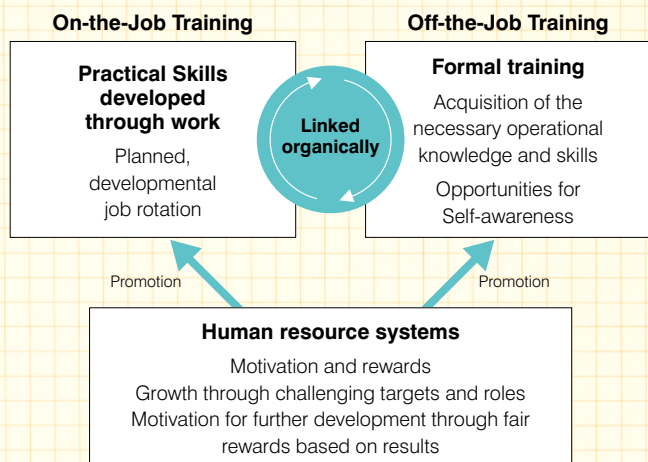
## Human Resource Management

## Development

### Reorganizing and Developing the Head Office's Diverse Training Systems

Sumisho Business College (SBC) offers about 300 programs per year that are designed to nurture the Human Resources We Seek. The programs focus on three areas: 1) Management Principles, Activity Guidelines, and SC VALUES; 2) Leadership; and 3) Professional. In fiscal 2015, 12,351 trainees attended the programs from Sumitomo Corporation alone.

Through a variety of Human Resources Development (HRD) programs provided by SBC, we provide systematic leadership development as well as instruction in the common basic business knowledge and skills required to work in our business activities. Various other programs include advanced specific knowledge and skills necessary for investment, business management, and business creation and reform.



Development of the On-the-Job and Off-the-Job Training Program "Human Resources We Seek"

### Advancing Global Measures to Develop Human Resources

Aiming to recruit and develop personnel who can lead global business operations, the Sumitomo Corporation Group is focusing on promoting and developing locally hired employees in its overseas offices and Group companies.

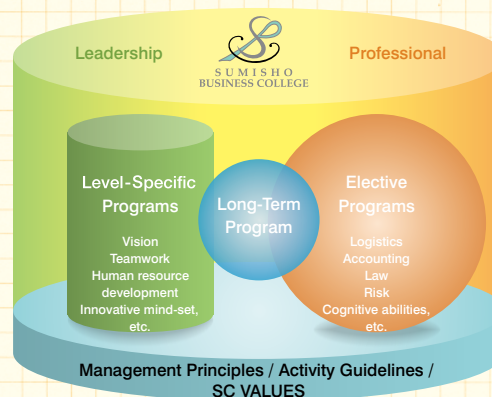
As part of these efforts, we conduct training programs for locally hired employees at different career levels, such as managers, general managers, and senior executives. Through these training programs, nearly 300 participants each year come from all over the world to the Head Office in Tokyo. The programs establish a shared sense of the Sumitomo Corporation Group's corporate DNA and strengthen the sense of unity among employees as members of the Group by reaffirming participants' understanding of Sumitomo's business philosophy and the Group's Management Principles. In addition, participants share information on the Group's management policies and strategies and improve their skills by attending various lectures.

One program includes visiting the Besshi Copper Mine, the starting point of the Sumitomo Corporation Group. The main objective of this program is to give leaders of in-house organizations an opportunity to experience and assimilate Sumitomo's business philosophy, which is the basis of the Group's Management Principles, and to ensure that the business philosophy is passed on to younger employees.

We will continue reorganizing and developing the HRD programs that employees need to acquire new skills and knowledge, thereby enhancing the abilities of individuals and accelerating HRD even further.



Visit to the Besshi Copper Mine



Overview of Sumisho Business College (SBC)

In fiscal 2013, we reorganized our overseas offices into four broad regions. Under this system, we are promoting the development and utilization of local personnel by organizations in each region. Specific measures include the rotation of locally recruited personnel within each region and promoting personnel from overseas offices and Group companies to important positions. Furthermore, to promote global human resource development and utilization, the Head Office in Tokyo provides wide-ranging support to regional organizations in relation to such areas as recruitment and establishing training systems.



Global Measures to Develop Human Resources

## Utilization

### Encouraging Work-Life Management

Since establishing the Groupwide Work-Life Balance Promotion Project Team in April 2005, we have implemented an array of different measures. In December 2015, we renamed this initiative Work-Life Management to emphasize that employees should independently manage work practices on a day-to-day basis and over the medium-to-long term to establish a clear distinction between work and private life.

Given that everyone has a different lifestyle and set of values, methods of realizing Work-Life Management will differ for each employee. However, we believe that lifestyles comprising fulfilling professional and private lives will revitalize employees and drive the creation of new value and advance business development. Examples from our many different initiatives include the encouragement of employees to take paid vacations, the establishment of the SCG Counseling Center, and the holding of seminars aimed at reforming attitudes to work practices.

### Ensuring the Active Involvement of Diverse Personnel

The Sumitomo Corporation Group promotes respect for diversity so that employees with various talents can capitalize on their different backgrounds to create new value and achievements in their respective fields, thereby helping sustain the Group's growth.

As part of efforts to promote diversity, enabling female employees to become more actively involved in operations is one of our key management strategies. Based on this strategy, we are implementing a range of initiatives.

Aware of the support needed to balance family and professional commitments, the Sumitomo Corporation Group provides

extensive support systems that exceed legal requirements.

Furthermore, we have introduced programs to encourage female employees to play active roles in the Group following maternity and child-care leave. For example, in 2008, we established the Triton Sukusuku Square in-house nursery to provide childcare services for our employees; in 2014, we distributed a handbook to all employees that offers guidance on balancing a career and childcare; and in the same year, we introduced a program enabling female employees assigned overseas to take their children with them.

Also, in June 2015, the Sumitomo Corporation Group was granted Platinum "Kurumin" certification under an accreditation system that was established based on the revised Act on Advancement of Measures to Support Raising Next-Generation Children. We were one of the first five companies in Tokyo certified as providing superior childcare support.

Further, in May 2016, Sumitomo Corporation was certified as a second-highest-class "Eruboshi" company in recognition of its efforts to promote the active involvement of female employees on the basis of the Act on Promotion of Women's Participation and Advancement in the Workplace.



Platinum  
"Kurumin" Mark



"Eruboshi"



### COLUMN Going on an Overseas Assignment with a Child

#### Q What were your initial thoughts when you were offered an overseas assignment?

For a long time, I had wanted to work overseas. However, because I have a child, I had given up on the idea. So, when I was offered an overseas assignment and told I could take my child with me, I was really surprised and moved.

#### Q Did you find living overseas with your child tough?

Even in Japan, working and bringing up a child is stressful. However, because I was alone with my child, every day I thought, "If something happens to me, what will happen to my child?" This motivated me to take care and stay healthy and safe.

#### Q Looking back, how did you find the assignment?

As an employee posted overseas, doing every part of work and child rearing perfectly is difficult, and I got frustrated sometimes. However, the posting let me experience a different world. If asked whether I enjoyed the overseas posting, my reply would definitely be "yes." Thanks to the greater diversity of the U.S. workforce, I met people with a variety of different outlooks. A major benefit of this experience is that it has made me more optimistic. Even when I have short-term concerns about something, I am now able to envision the long-term future.



Sari Kako  
Risk Management Dept. No. 3

Sari Kako has belonged to the Construction & Mining Systems Division since joining the Company, working as a manager at operating companies in North America, India, and Europe. In 2014, taking advantage of our program to help female employees assigned overseas take their children with them, she was assigned as a trainee to an operating company in Florida, the United States, and participated in the company's business management. She returned to her post at the end of 2015.

# CSR Initiatives

Our Management Principles set out a Corporate Mission calling on us “To achieve prosperity and realize dreams through sound business activities.” Accordingly, we aim to create value by solving social issues while taking responsibility for our value creation activities’ effect on society and the environment. We advance CSR initiatives based on the belief that the efforts of each employee will realize this goal.



## Our Approach to CSR

We believe that it is our CSR to contribute the sustainable development of society by solving social issues through business activities. This belief is based on a core concept of the Sumitomo's 400-year-old business philosophy: “Benefit for self and others, private and public interests are one and the same,” meaning that our business activities must benefit not only Sumitomo's own business but also society and the nation. The Sumitomo Corporation

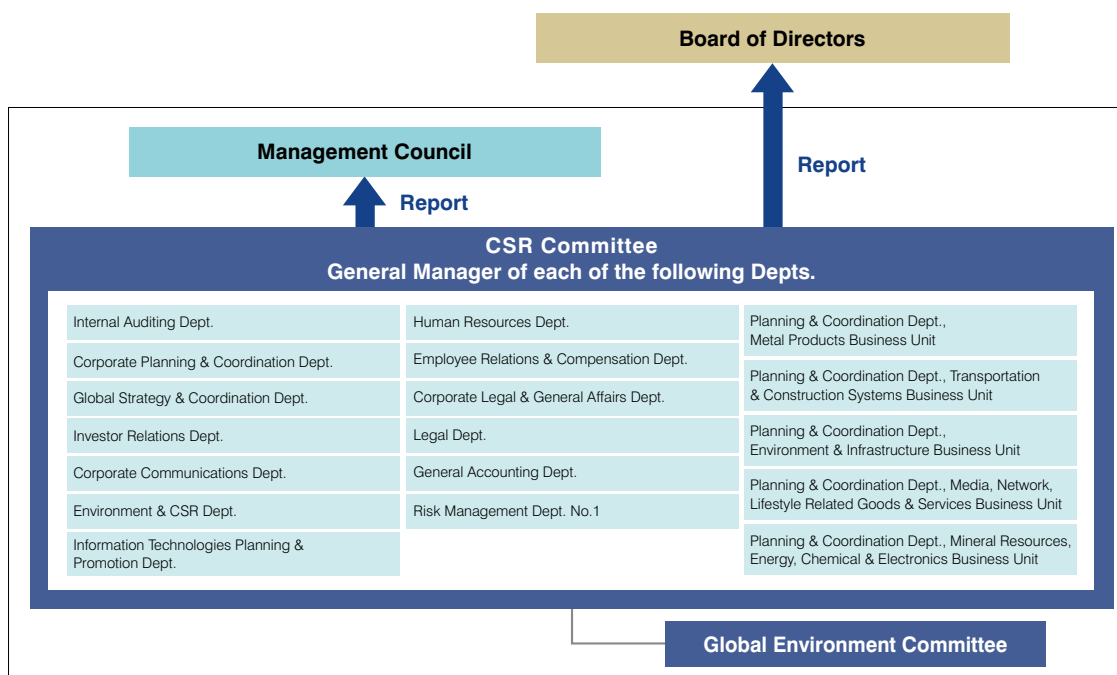
Group's Management Principles reflect this business philosophy. Therefore, we believe that acting in accordance with our Management Principles is the best way to fulfill our CSR.



## Structure for Promoting CSR Initiatives

In 2008, we established the Environment & CSR Department, tasked with promoting CSR initiatives. Furthermore, the CSR Committee, an advisory body to the Management Council, analyzes and discusses CSR promotion measures that are based on the ISO 26000 standards. In addition, the Global Environment Committee, which advises the CSR Committee, promotes environmental management activities based on the ISO 14001 standards.

The Sumitomo Corporation Group enhances its corporate value by providing solutions, derived from the Group's integrated strengths, to social issues and new needs identified through dialogue with stakeholders. In this process, aiming to take responsibility for our impact on society and the environment, we analyze how we can improve in light of the 10 principles of the United Nations Global Compact, thereby enhancing our corporate value even further.



## Examples of Specific Initiatives

### Holding Seminars Aimed at Considering Business from the Perspective of Global Social Issues

At all levels of its organization, the Sumitomo Corporation Group furthers employees' understanding of the Management Principles and the business philosophy underpinning them. In fiscal 2015, we twice invited expert from the United Nations Development Program to conduct workshops on Sustainable Development Goals (SDGs), which the United Nations adopted in September 2015. Speaking about their impressions, participants commented that the workshops had reminded them of their aspirations when they decided to join an integrated trading company. Others remarked that the workshops had increased their understanding of how the operations they are engaged in can help address a range of social issues. In fiscal 2016, we plan to hold additional workshops on SDGs. Our goal is to promote an understanding among personnel in all of

our businesses that CSR initiatives have real value, because addressing social issues through businesses leads to collaborations that transcend organizational boundaries and become growth drivers.



A seminar on the business opportunities SDGs present

### COP21 Seminar

The Sumitomo Corporation Group Environmental Policy states that "the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation." Aiming to heighten awareness of environmental issues throughout our organization, we conduct various types of in-house education. Given the adoption of a new legal framework for worldwide efforts to reduce greenhouse gases—namely, the adoption of the Paris Agreement by the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21)—in fiscal 2015, with the cooperation of Sumitomo Corporation Global Research Co., Ltd., we invited an outside expert to conduct a seminar for all employees entitled "The Outlook for

COP21 and Strategies in Response to Global Warming." Other initiatives to heighten the environmental awareness of each employee included seminars on environmental regulations, the revisions to the ISO 14001 standards, and the provision of environmental courses through e-learning.



A COP21 seminar

For more information about the Group's environmental management activities, please use the link below.  
<http://www.sumitomocorp.co.jp/english/csr/environment/>

### The Sumitomo Corporation Group's Basic Principles on Social Contribution Activities

In 2010, the Sumitomo Corporation Group established its Basic Principles on Social Contribution Activities. With the aim of building a sustainable society, as a global organization, we will work on social issues through our business activities and social contribution activities by implementing the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

We will engage in activities aimed at developing the next generation of human resources who will drive the sustainable development of society and contributing to local communities in areas we do business all over the world. In conjunction with these activities, we will perform and seek to continuously improve our activities

with modesty and high aspirations. Also, we will endeavor to maintain a high level of transparency while strengthening our relationships with our stakeholders.



Aiming to help develop globally minded young leaders

For more information about the Group's social contribution activities worldwide, please use the link below.  
<http://www.sumitomocorp.co.jp/english/csr/contribution/>