



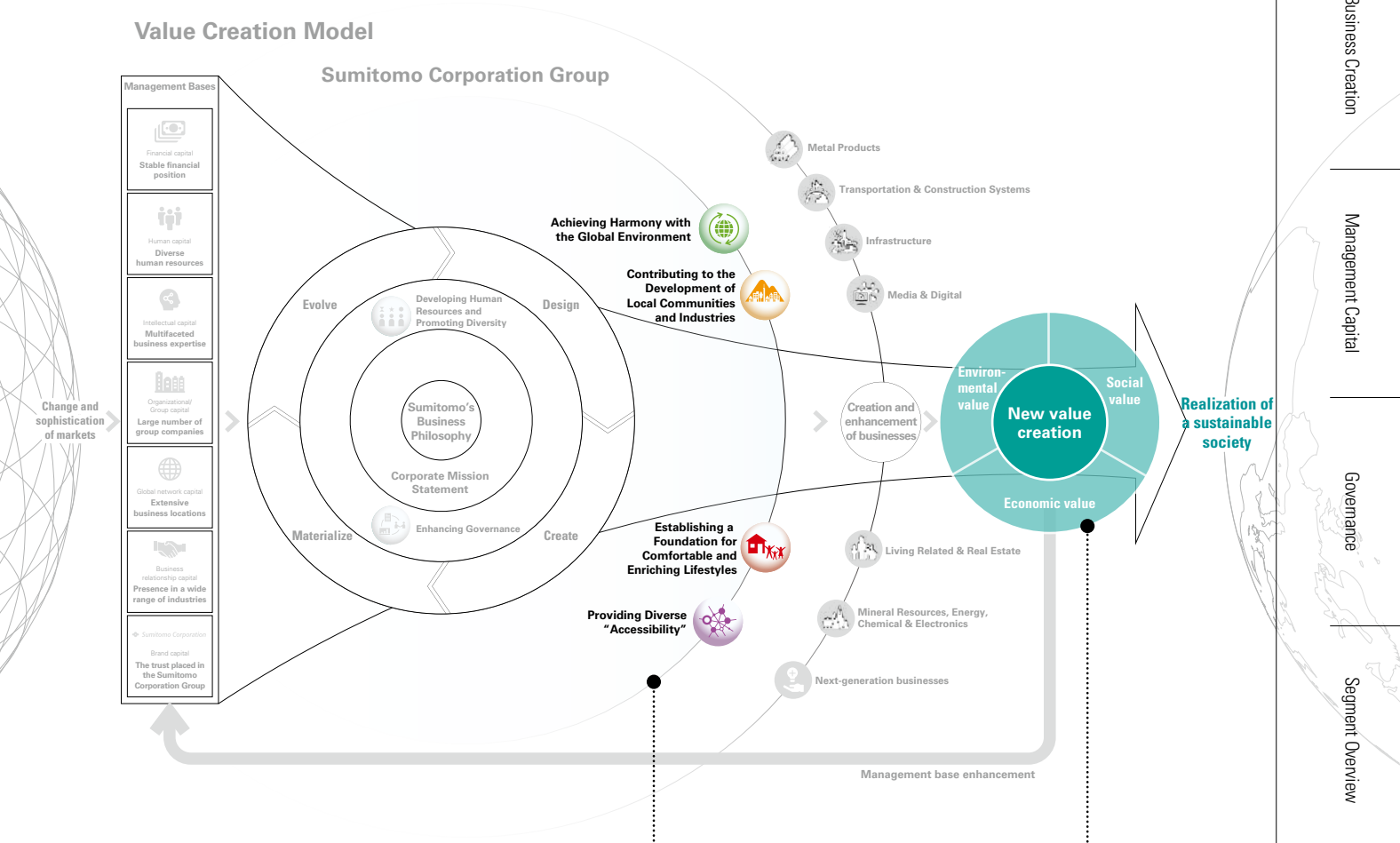
Part 1 Sustainability Management

Addressing social issues: Sumitomo Corporation's value creation

Corporations of today are expected to show two types of sustainability: the first is the sustainable growth of the company itself and the second is making contributions to the sustainability of society. A company is expected to meet both requirements at the same time. The Sumitomo Corporation Group has established Six Material Issues to Achieve Sustainable Growth with Society by conducting sustainability management.

We are committed to the creation of new value that addresses social issues and that contribute to the prosperity of the world.

Sustain



Contents

- 31 **Special Feature** A Dialogue with an Expert
What sustainability management means for an integrated trading company
- 35 Promoting Sustainability Management
- 37 Management of Social and Environmental Risks
- 39 Initiatives to Address Climate Change Issues
- 41 Approaches to Material Issues
- 45 Social Contribution Activities

Special Feature A Dialogue with an Expert

What sustainability management means for an integrated trading company

Sumitomo Corporation's CSO/CIO discusses future trends for balancing global and social sustainability and sustained corporate growth with Takashi Nawa, an expert in both fields.

Theme 1 The expected role for an integrated trading company in creating sustainable society

The role as a major player in solving environmental and social problems on a global scale

Yamano Since the United Nations' resolution on the SDGs—Sustainable Development Goals—in 2015, the expectation to contribute to fulfilling these goals has increased dramatically especially for corporations like ours. In financial markets, ESG factors have become one of the standards by which corporate value is measured, and there is growing interest in sustainability management. The Sumitomo Corporation Group carries out a number of initiatives to ensure that we grow sustainably together with society, but I would like to take the opportunity today to exchange some ideas on what a corporation should be in light of such changes in society.

Nawa The world is certainly suffering under the strain of variety of issues triggered by economic development, so people are expecting the companies to grow by solving social issues. Given the seriousness of issues such as climate change, the depletion of water and other resources,

poverty and the unequal distribution of wealth, I believe that the first priority of a company's governance should be pursuing profit while having positive influences on society and the environment.

Yamano Integrated trading companies are active in all regions and industrial fields around the world, so their business is highly dependent on the healthy growth of global economies, industries and societies. Thus, we have a responsibility to help resolving various social issues through our businesses, but, at the same time, we also have a fundamental incentive to realize a sustainable society.

Nawa That is true. As I like to put it, an integrated trading company's business involves a "space axis," which requires it to consider the trends in various countries, regions and areas of industry, and a "time axis," where it has to take the past, present and future into account when providing society with the goods and services it needs. As they balance both axes while trying to solve social problems through diverse businesses, trading companies are naturally involved in almost all of the 17 SDG goals. As a major player in the business world, I am sure we can expect to see great contributions from Sumitomo Corporation when it comes to resolving environmental and social problems on a global scale.

Hideki Yamano

Representative Director, Managing Executive Officer, Chief Strategy Officer and Chief Information Officer

Profile Hideki Yamano joined Sumitomo Corporation in 1983. He focused on managing infrastructure projects in Japan and overseas and was appointed as the executive officer and general manager of the Corporate Planning & Coordination Department in 2016, after holding other positions such as the general manager of the Wind Power and Water Infrastructure Business Department, general manager of the Renewable Energy Department No. 2 and corporate officer and general manager of the Environment & Infrastructure Project Business Division. He assumed his present position in 2018.



Theme 2 Sumitomo Corporation Group's sustainability management

Promoting sustainability management based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement

Nawa As an integrated trading company with the potential to address many social issues, what kind of sustainability management does the Sumitomo Corporation Group pursue?

Yamano We carry out a wide variety of initiatives, but they are all grounded in Sumitomo's Business Philosophy. This is expressed in the phrase, "Benefit for self and others, private and public interests are one and the same." It stresses the importance of pursuing profit for the good of the general public. The corporate vision of the Sumitomo Corporation Group, which states, "We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society," is an organized version of that same philosophy with a modern twist. It speaks of our dedication to creating value that improves society in these changing times.

Nawa In other words, the pursuit of social sustainability is built right into your corporate DNA. That is very impressive. So based on that philosophy, your company intends to use your various inbuilt functions and your management capital to display your full strength?

Yamano Yes, that is the kind of company we want to be. To put our business philosophy and mission statement into practice, in 2017, the Sumitomo Corporation Group identified Six Material Issues to deal with.

Nawa Distilling your business philosophy and mission statement into a set of Material Issues is a clever move. I think it is unfortunate that many corporations merely look through the 17 SDGs and select only the ones that concern them. To borrow a term from gymnastics, they basically stop at the "compulsory exercises." But instead, I would say a corporation should take up the "free exercises" as well and leverage its unique strengths to aim for the 18th goal outside the SDGs. In that way, they will be able to pursue sustainability in many regions and industrial fields around the world.

Yamano Although the Sumitomo Corporation Group's Material Issues are based on the SDGs, we went beyond them to add ambitions that reflect our abilities to link various types of information and resources and our desire to seek new value. Thus, we ended up with goals such as "Providing Diverse Accessibility (create avenues for people, goods, information and capital to interact efficiently)" and "Establishing a Foundation for Comfortable and Enriching Lifestyles," which people outside the Company have told us are very "Sumitomo-like" targets.

Nawa Yes, I can certainly feel the strong desire of the Sumitomo Corporation to create and offer new prosperity to society in addition to solving social challenges behind this set of Material Issues.



Takashi Nawa

Professor,
School of International Corporate Strategy
Hitotsubashi University Business School

Profile Professor Nawa joined Mitsubishi Corporation in 1980. After that, as a director at McKinsey & Company, he became the Asian Regional Head in the automobile and manufacturing field and the Japanese branch head in the high-tech and communications field. He widely participates in projects involving next-generation growth strategy and full company structural reform in a range of industries. He assumed his present position in 2010. He also serves as the supervisor of a CSV forum that is a gathering of leaders from around 30 of Japan's most prominent companies.

Special Feature A Dialogue with an Expert

What sustainability management means for an integrated trading company

Theme 3 Sustainability management in practice

Balancing opportunities and risks in promoting business with focus on the Six Material Issues

Nawa I understand Sumitomo's mindset and approach now, but when it comes to actual decision-making process in business, what kind of initiatives are you working on?

Yamano When we discuss the growth strategy for the entire organization or make a decision on investment in an individual business, we discuss the Material Issues in addition to the social and economic megatrends and our company's capabilities.

Nawa You mean you study business opportunities through the lens of Material Issues?

Yamano Exactly. Moreover, I believe we display our true value when we use our various functions and human resource networks to manage environmental and social risks instead of merely avoiding them, thereby running businesses that make society more sustainable.

Nawa That is very encouraging to hear.

Creating systems and organizations to practice sustainability in actual business and cascading down the mindset

Nawa When it comes to practical sustainability management, there are quite a few cases where organizations have put the necessary business decision-making structures and rules in place, and yet the mindset of the people who will actually perform these measures lags behind.

Yamano Indeed, it is the individual employees on the ground who are implementing sustainability management. In the Sumitomo Corporation Group, we hold internal seminars and other events to share our ideas. We have also

appointed sustainability promoting staff in each business unit and regional organization to create an environment where Material Issues are actively discussed in the course of daily business.

Nawa Are these measures having any effects?

Yamano Yes, the employees are highly motivated by the idea of contributing to the sustainability of society. The younger generation in particular feels very strongly about giving their all to help resolve social issues.

Nawa So would you say that Sumitomo's Business Philosophy that prioritizes the public good functions as a positive, unifying force that attracts talented personnel from all over the world?

Yamano It most certainly does. For example, when staff from abroad comes to Japan for training, I am told they feel a strong sense of affinity upon visiting the Besshi Copper Mines and upon hearing about our 400 years of history of the Sumitomo Group (→ [Brand Capital](#), p. 79). That reminds me afresh that Sumitomo's Business Philosophy is universal, crossing state and regional boundaries.

Human resources are an intangible asset that supports sustainable growth through hands-on group company management

Nawa I can tell there is a clear distinction between Sumitomo Corporation's business style and that of other integrated trading companies. I get the impression that it truly embodies the ideas of "Avoiding the pursuit of easy gains" and "Grand Design" stated in your Business Philosophy. Instead of pursuing immediate profits only, Sumitomo Corporation plants business seeds from a long-term perspective and nurtures the fruits, contributing to the development of a wide variety of regions.

Yamano Indeed. Our Company goes beyond investment activities and prioritizes hands-on management that takes active part in business management. I can sense a deep-seated spirit of sincerity towards our businesses throughout the organization. Our business approach of getting down and dirty on site is an invisible but important asset that supports the continued growth of the company.

Nawa In short, in addition to putting up sensors around the world to detect signs of change and find business opportunities that help to solve social issues, your company also have the ability to immerse yourselves in the actual business, involve those around and move them to make things happen. I think in that way, Sumitomo displays the true strength of an integrated trading company.



Theme 4 The sustainable value creation by the Sumitomo Corporation Group

The three growth strategies of Medium-Term Management Plan 2020 aimed at achieving sustainable growth

Nawa What kind of value creation structures are incorporated in the medium-term management plan to support sustainable growth?

Yamano Medium-Term Management Plan 2020 has set Increase Value of Existing Business, Create Next-generation Business and Leverage Business Platforms as the pillars of its growth strategy. Increasing the value of existing businesses is important in the short- to medium-term, so we will bring out every ounce of strength to earn the capital we will need for further growth in the future. On the other hand, creating new, next-generation business is the part of our strategy that is aimed at creating pillars of profit for a new age from a medium- to long-term perspective. We have selected the three growth areas of Technology x Innovation, Healthcare and Social Infrastructure as areas with potential for future profit growth where we can help by solving the social problems of the future and by creating social value.

Nawa How is the third initiative, Leverage Business Platforms, connected to corporate growth?

Yamano This strategy encapsulates our intention to transcend organizational barriers and create new value. We focus our attention not only on vertical divisions between business units but on regions and other horizontal dimensions as well, allowing us to take advantage of opportunities we would not notice if we only looked vertically. This is one of our strengths. Through the mutual interactions between our global networks and the excellent human resources and client bases of our six business units, we plan to create synergy and display our premium value as a conglomerate.

Nawa Since Sumitomo Corporation is an integrated trading company promoting business in a variety of areas, that gives you all the more reason to strengthen the features that people expect to see from your company, correct?

Yamano Correct. One of the priorities of Medium-Term Management Plan 2020 is accelerating Digital Transformation (DX). It is important for us because we will be able to both upgrade our business models and create synergy through that process. The newly formed DX Center works together with the Corporate Planning & Coordination Department and regional organizations overseas to cross the boundaries between the six business units that form



the vertical axis and use the assets of each unit to create future growth and provide new value.

Nawa It will be extremely interesting to see what kind of new value chains the Sumitomo Corporation Group will create by using “digital power” to overcome organizational barriers and share information.

Using a wide perspective and foresight to achieve prosperity and realize the dreams for a new generation

Nawa Thanks to today’s discussion, I understand that the sustainable growth of the Sumitomo Corporation Group is formed from the combination of the Sumitomo’s Business Philosophy and Corporate Mission Statement that esteems the public good, and the Sumitomo Corporation business style of getting deeply involved in the details of actual business. Even if AI manages to surpass human abilities through the Fourth Industrial Revolution, human beings still have qualities that only we can display: a wide perspective, foresight, and the ability to dream. I hope the Sumitomo Corporation Group will use its history and achievements to realize its dreams for the future through a wide perspective and foresight, and will become a corporation group that can contribute to the sustainability of global society.

Yamano Thank you very much. The world is changing rapidly right now, but one thing has been a constant since the dawn of time: the future is always uncertain, and staying in one place is the biggest risk of all. As you said, over the next 100 years, we want to use our wide perspective to look at the big picture of the future, then work backwards from our future vision of “to achieve prosperity and realize dreams” throughout the whole world in order to create the new kinds of value that society needs. Thank you very much for today.

Promoting Sustainability Management

Business enterprises today are expected to provide value that contributes to the realization of a sustainable society from a long-term perspective. The Sumitomo Corporation Group contributes to addressing social issues and works for sustainable growth with society through sound business activities.

Structure for promoting sustainability

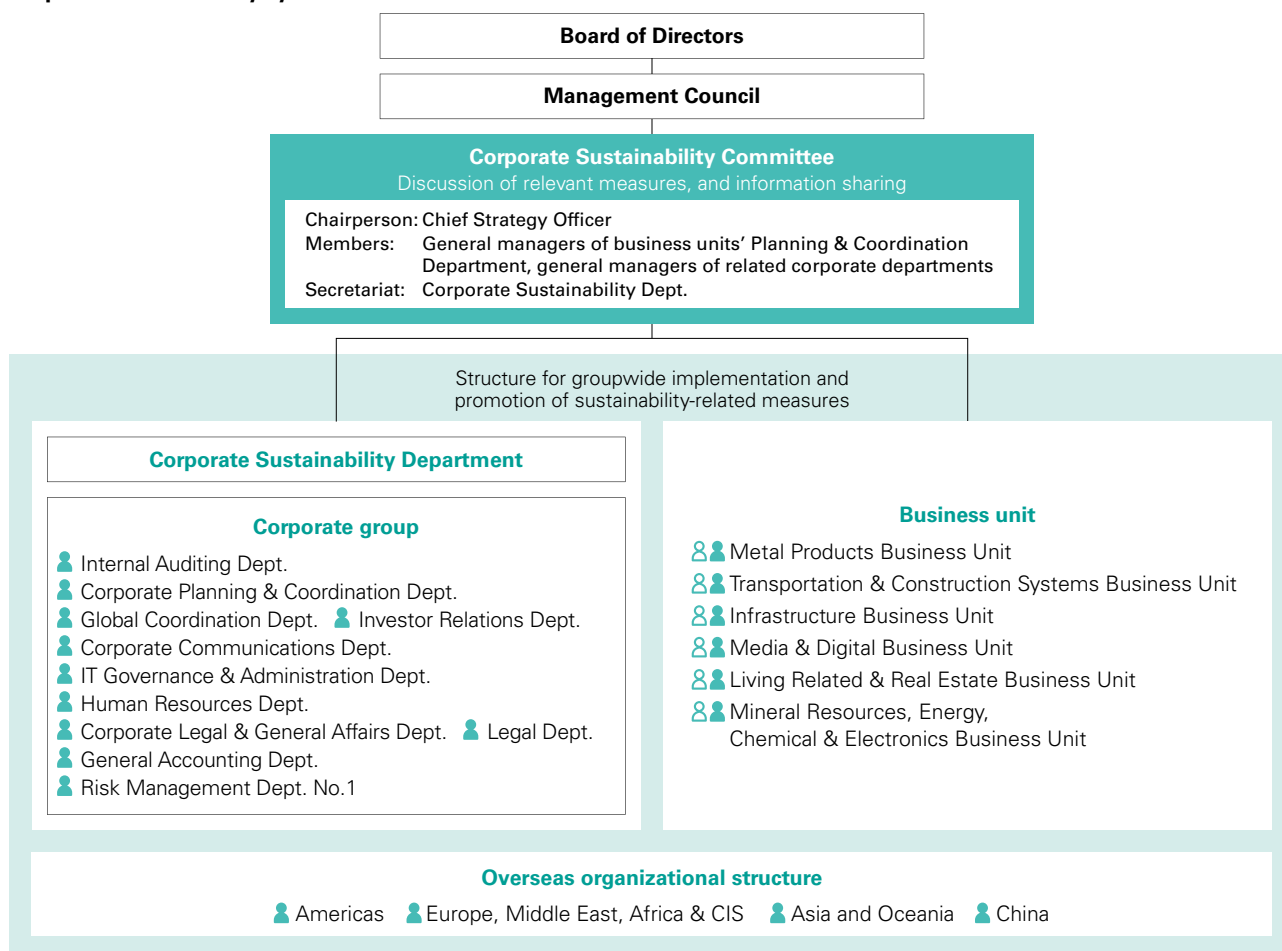
The world faces a wide range of issues, from climate change and other environmental problems to social issues in areas such as human rights, which need to be overcome through a united global approach. In response, the Sumitomo Corporation Group is committed to delivering value required by society through its business activities, thereby contributing to addressing social issues and realizing a sustainable society.

At the same time, we aim to achieve sustainable corporate growth through clear management guidelines and frameworks for value creation and making effective use of management resources leveraging our strengths. In pursuing this aim, we also work to ensure that our management activities meet the needs of a wide range of stakeholders while maintaining an awareness of the links between corporate business activities and social and environmental issues.

The Sumitomo Corporation has established the Corporate Sustainability Department, which is responsible for the planning of measures to promote sustainability and ensuring their implementation throughout the organization. Meanwhile, the department coordinates with general managers, who are responsible for promoting sustainability within each business unit, and with the sustainability promoting staff of each business unit's Planning & Coordination Department. The department also works with the sustainability promoting staff of relevant corporate departments and overseas regional organizations to ensure that sustainability promotion measures are fully implemented groupwide and also that the different business units and regional organizations pursue measures tailored to the specifics of their business or region.

The Corporate Sustainability Committee acts as an advisory body to the Management Council and discusses important policies, measures, and initiatives relating to the promotion of sustainability. Important initiatives relating to

Corporate sustainability system



Sustainability managers (general managers of business units' Planning & Coordination Department) Sustainability promoting staff

sustainability promotion are referred by the committee to the Management Council and the Board of Directors for further discussion. Some important initiatives are subject to the decisions of the Management Council and the supervision of the Board of Directors.

Approach to Material Issues

In April 2017, we identified Six Material Issues for the Sumitomo Corporation Group that illustrate the relationship between our business activities and society. The Group's Material Issues are selected to reflect the United Nations Sustainable Development Goals (SDGs)—global initiatives toward realizing a sustainable society—as well as the Sumitomo Corporation Group's Management Principles and its business strengths. The Group places the Material Issues at the foundation of its management activities, defines them as an important factor in the formulation of management strategy and the decision-making process for individual businesses, and highlights the relevance of Material Issues to individual businesses and in strategic discussions.

Identification process

When identifying Material Issues, each business unit first gathered information on and analyzed its relationship with social issues, referring in this process to the SDGs and international guidelines. The next step was to select social issues that we regard as important and that need to be addressed as priorities in light of Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement. After surveys covering all officers and employees and exchange of opinions with outside experts, the selected social issues were outlined. The selected issues and their importance were then reviewed by the CSR Committee (currently the Corporate Sustainability Committee). The Material Issues were finalized following deliberation and approval by the Management Council and the Board of Directors.



Initiatives on Material Issues

The Sumitomo Corporation Group's Material Issues represent a clear and simple statement of the Group's commitment to contributing to the realization of a sustainable society by addressing a wide range of social issues through its diverse business activities in the spirit of its Management Principles. The Material Issues serve as a tool through which we can lead a variety of external stakeholders to a better understanding of our business approach and also motivate our employees to practice the Group's Management Principles.

Our initiatives on Material Issues encompass a variety of aspects. One of these is promoting the practice of our Management Principles in the individual businesses and delivering value to society from a long-term perspective. Other aspects include controlling the impact of overall group business activities on society and the environment, and grasping business opportunities arising from long-term trends in social issues and undertaking strategic development of businesses that contribute to addressing the issues.

These initiatives will enable the Sumitomo Corporation Group to enhance the growth potential and stability of its business over the long-term, work for a sustainable improvement in corporate value, and at the same time, increase the recognition and trust received from our diverse stakeholders and improve employee motivation.

Business policy in response to Material Issues

Practicing the Management Principles through individual businesses

Deliver value and improve governance and risk control based on long-term social trends

Controlling the impact on society and the environment of overall group business activities

Manage social and environmental risks in the Sumitomo Corporation Group and its supply chain

Strategic development of businesses that contribute to addressing social issues

- Carry out strategic allocation of management resources to emerging fields
- Create new next-generation businesses that contribute to addressing social issues

- Long-term business stability and growth potential and improvement in corporate value
- Increase recognition from shareholders and stakeholders
- Increase employee motivation

Management of Social and Environmental Risks

As sustainable growth becomes a common concern for the global society, the Sumitomo Corporation Group, which has a wide range of businesses and has offices and business operations worldwide, is committed to appropriately controlling the impact of overall Group business activities on society and the environment.

Framework for social and environmental risk management

The Sumitomo Corporation Group's business activities have a variety of impacts on the global environment and on different stakeholders such as local communities, business partners, and our officers and employees. To achieve sustainable growth together with society, we work to control the social and environmental impacts of our business, and, by monitoring the entire supply chain of each business, to ensure that the impact of the associated business activities is not a threat to people's lives or the global environment and does not constrict the sustainability of our management.

To appropriately manage the social and environmental impacts from the overall activities of the Group with its wide-ranging business portfolio, the Sumitomo Corporation Group has put in place a companywide framework to apply when starting new businesses, including review and periodic monitoring.

When implementing due diligence on a new investment, based on the nature of the business, we carry out an environmental assessment through an environmental consultant and an assessment of human rights and labor issues through a law firm or similar. By taking these steps, we ensure that the business is operating on a sound basis and that the business activities

are not seriously impacting the global environment or local communities, employees, and other stakeholders.

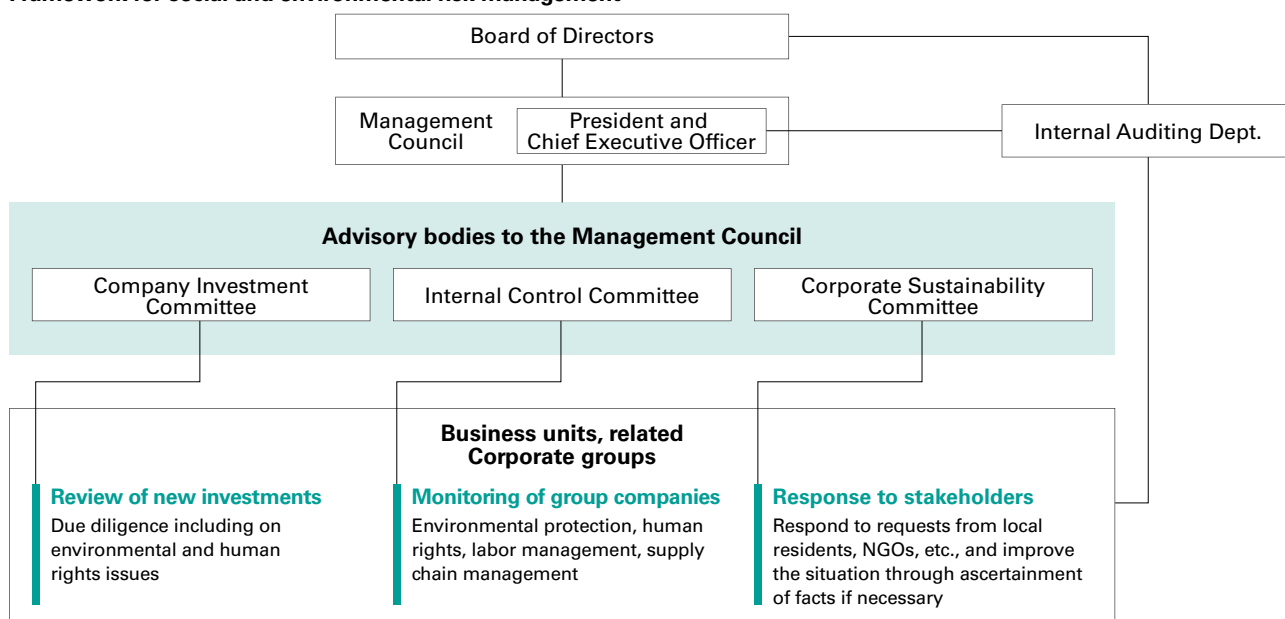
After the investment, the responsible business department and related corporate departments work jointly to monitor the business periodically for issues in environmental, human rights, labor management, and supply chain conditions through dialogue with the group companies. This forms part of the reinforcing of group governance which is one of the initiatives under Medium-Term Management Plan 2020. If any issues arise, we have a framework for taking countermeasures in line with the characteristics of each business. During internal audits of our group companies, based on the characteristics of each business, we make sure that it is legally compliant and that it is operating in accordance with international standards on social and environmental matters.

When issues are pointed out by local residents, non-governmental organizations (NGOs), or other stakeholders regarding the impact of the Sumitomo Corporation Group's business activities, we ascertain the facts and respond by planning and implementing corresponding improvements.

In addition, following the review and monitoring of new investments outlined above, the response to any significant social or environmental issues in individual cases is referred for further discussion to the Management Council and the Board of Directors through the related committees.

For more details p. 104

Framework for social and environmental risk management



Initiatives in social and environmental risk management

Since the Sumitomo Corporation Group operates businesses dealing in different products and business models in various regions of the world, each business is exposed to different social issues. To clarify our approach to social and environmental issues, we have set out an Environmental Policy and CSR Action Guidelines for Supply Chain Management. Regarding human rights issues, we have issued a statement based on the United Kingdom's Modern Slavery Act, while on the environmental front, we have constructed and operate an environmental management system compliant with the ISO 14001 international standard. In addition, we are devoting efforts to embedding these policies throughout the organization and to raising employee awareness through e-learning and other methods.

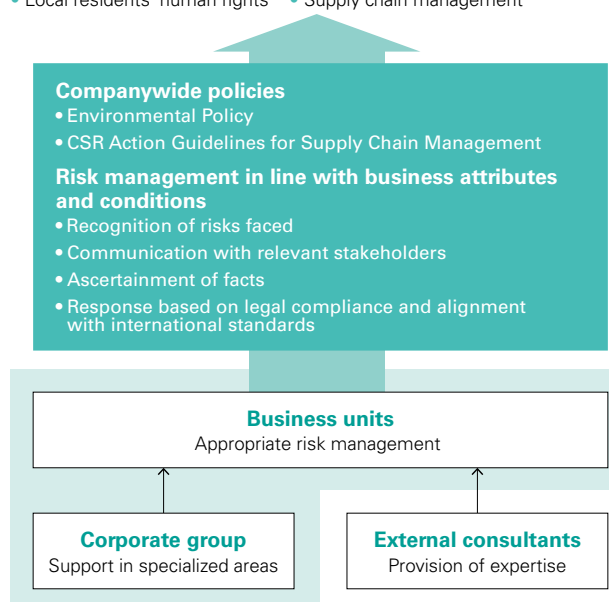
Because the impact of each business on society and the environment and the nature of the risks requiring management focus differ depending on the nature of the business and the region where it operates, risk management needs to be adapted to the specific character of the business. For each of our businesses, we obtain the relevant data, including information on its interface with society and the environment and the associated risks. In addition, we ascertain whether serious issues are present by maintaining communication channels with local communities, employees, and other stakeholders, and check not only that the business is legally compliant across the range of social and environmental issues but also that its response in the area complies with international standards on the environment and human rights.

Within the Sumitomo Corporation Group and its diverse range of businesses, the responsible business department of individual businesses and the related corporate departments are working jointly to raise the standard of social and environmental risk management groupwide, utilizing the knowledge of outside experts.

Response of individual businesses to social and environmental risk management

Variety of sources leading to social and environmental risks

- Climate change
- Biodiversity
- Pollution
- Resource depletion
- Labor health and safety
- Forced labor
- Discrimination
- Local residents' human rights
- Supply chain management



CASE | Human rights audit implemented at Thailand chicken processing plants

In March 2019, with the appointment of external experts, Sumitomo Corporation implemented a human rights audit at three chicken processing plants operated by Thai business partners. Cases have come to light in Thailand of infringement of the human rights of foreign workers in labor-intensive industries such as poultry rearing, seafood processing, and garment manufacture. The Company makes periodic visits to the processing plants of its business partners to check that regulations on human rights and other areas are stringently observed. This audit was carried out with particular focus on the work environment of foreign employees.

The audit team visited the plant and the employees' dormitory to check for forced overtime working, confiscation of identification documents, and labor health and safety issues, which are cited as common human rights risks in the poultry industry. In addition, employees of non-Thai nationality from Cambodia, Myanmar, and other countries were randomly selected for interview. The audit found no human rights issues relating to foreign workers at any of the three locations and the processing plants demonstrated proactive communication with the Company and a strong commitment to further improvement of operations.

To fulfill its social responsibility in the supply chain, the Sumitomo Corporation Group will continue to address human rights issues in its relationships with important suppliers and to carry out audits, taking account of local conditions and industry practices in those countries and regions with concerns over human rights risk.

Initiatives to Address Climate Change Issues

The Sumitomo Corporation Group contributes to addressing climate change issues and realizing a carbon-neutral society, which are necessary for the sustainable development of society.

Policy on climate change

The impact of climate change is a serious problem that threatens the stability of society and the environment globally for generations to come. The Sumitomo Corporation Group, which operates a wide range of businesses around the world, also considers it as a risk that requires particular attention. The Group has recently revised its climate change policy in view of the situation worldwide. Currently, initiatives toward the achievement of the climate

change mitigation targets set by the Paris Agreement are being implemented, but there are many issues to address. As a member of the global society, the Sumitomo Corporation Group is committed to making ongoing contributions across the range of its business activities to overcoming these issues and addressing the problem of climate change to pass on to future generations a sustainable society.

Basic policy

The Sumitomo Corporation Group contributes through its business activities to resolving the climate change issues and to realizing a carbon-neutral society for the sustainable development of society.

Policy for business activities

- We aggressively promote the followings: 1) renewable energy business, 2) advanced energy management business, 3) the development of business models/innovations that contribute to the reduction of energy consumption, and 4) other businesses that contribute to mitigating or adapting to climate change. In addition, we put our effort on controlling greenhouse gas emissions associated with our business activities.
- 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. (By the target year of 2035, we aim to shift the composition of the portfolio in terms of net ownership generation capacity as follows: coal 50%→30%; gas 30%→40%; and renewables 20%→30%)
- We will not have new development in the coal-fired power generation business. However, we make a decision individually about new development in cases where the project is essential to the economic and industrial development of the local community and where the project is complying with the policies of the Japanese and host country governments based on the international initiatives to mitigate climate change issues.*
- In the thermal coal mining business, we limit our equity share coal production to our current levels, and desist from new mine development projects.

* The Van Phong coal-fired power generation project in Vietnam is a project based on this policy.

Support for TCFD final recommendations

Enhanced disclosure of information on climate change-related risks and opportunities

Recognizing the importance of corporate information disclosure on climate change, in March 2019 Sumitomo Corporation indicated its support for the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will address the issue of further improving information disclosure in line with the framework recommended by the TCFD.

In connection with climate change issues, a close watch is kept on relevant developments including international initiatives as well as trends among financial institutions. The impact on the Group's business activities is reported periodically to our Board of Directors. Although we currently judge that there is no risk of climate change issues having a serious impact on the Group's management, we will remain vigilant for changes in the business environment, capturing the various associated business opportunities and continuing to contribute through our businesses to resolving the issues.

Contributing through business activities to addressing climate change issues

Through initiatives on various fronts, the Sumitomo Corporation Group will continue contributing to addressing the many issues related to climate change mitigation and the realization of a carbon-neutral society.

In the power generation business, in addition to supplying renewable energy in a variety of forms including wind and solar power, we are also working to realize disruptive innovation through new technologies such as carbon capture and storage (CCS)*¹ and CO₂-free hydrogen production.

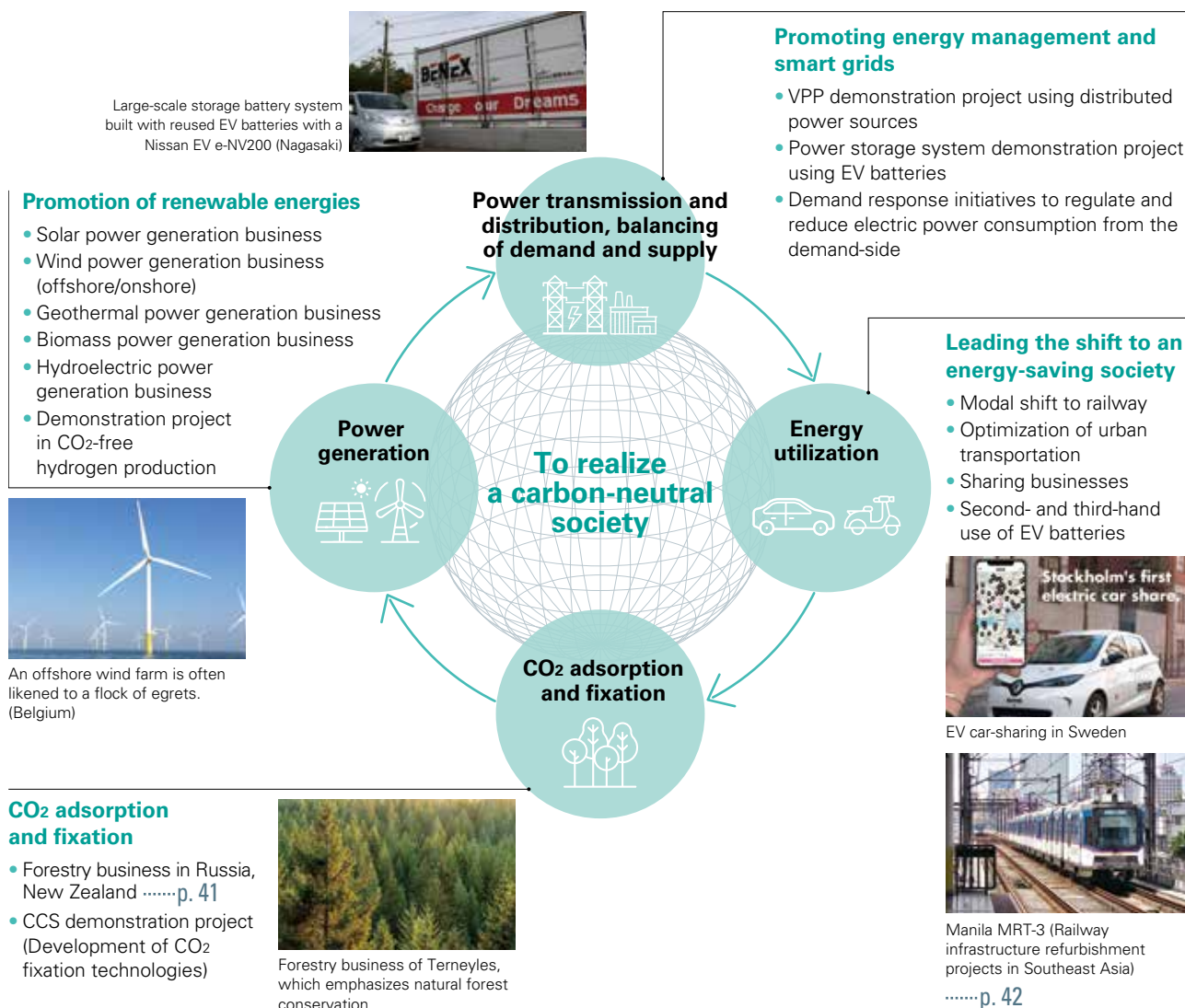
To achieve reliable stability in electric power systems, which is a great challenge for the wider use of renewable energy, we are progressing with the commercialization of new energy management technologies using storage

batteries and a wide range of other electric power sources as well as IoT-based virtual power plants (VPPs).^{*2}

However, initiatives are not limited to the energy supply-side. We are also pursuing active measures on the demand-side, which is the other key to climate change mitigation. These include the development of sharing businesses and other initiatives that help reduce energy consumption and promote renewable energies, and forestry projects that work to adsorb and fix CO₂.

^{*1} Technologies to isolate and store CO₂ by burying it underground or under the seabed

^{*2} An IoT-based technology initiative integrating dispersed storage batteries and other energy sources to balance electric power supply and demand by controlling power storage and release



Approaches to Material Issues

The Six Material Issues to Achieve Sustainable Growth with Society are identified as important factors for business strategy and decision-making for individual businesses. By focusing on the four issues mentioned below in particular, we are aiming for sustainable growth with society through new value creation.

Achieving Harmony with the Global Environment





Sustainable forestry practiced in harmony with nature in our New Zealand timberland

Sustainable forestry

Areas: Russia and New Zealand



Forests are an extremely important resource in the context of sustainable global development. As we work to achieve more sustainability-oriented conservation and utilization of forest resources, we are also responding to increasing demand for timber resources in Asia, where economic growth is ongoing. In Russia, we have adopted the *ribbon cutting* logging method, which leaves parent trees intact so that they can drop seeds, while in New Zealand we practice a 30-year cycle of planting, nurturing, and felling. Following a plan-based program of forest husbandry in this way not only contributes to CO₂ absorption and fixation but will also enable us to supply timber resources in a more environment-friendly way that avoids depleting precious forest resources while promoting business expansion.

Relevant Material Issues  

Stable supply of biomass fuel

Areas: Canada and Brazil

Today, interest in biomass power generation, which allows reliable generation of electric power regardless of weather conditions, is increasing. Sumitomo Corporation began a business in the import and sale of wood-based biomass fuel in 2008, founded on our over 40 years of experience in the stable procurement and supply of overseas woodchip as a raw material for paper manufacture. In anticipation of increased future demand for biomass fuel, we invested in a Canadian wood pellet production business in 2017. In Brazil, we have participated in a fuel pellet production business that uses sugarcane as raw material. We will continue contributing to harmonization with the global environment through these initiatives.

Relevant Material Issues  



Wood pellets, a form of biomass fuel

Development of railway infrastructure to support people's lives and industries around the world

Areas: Southeast Asia (Vietnam, Thailand, Indonesia, the Philippines, Myanmar, etc.)

We are actively developing railway-related businesses in Japan and overseas and have so far handled numerous projects in railway construction and railcar export. In Southeast Asia, the population is increasing and the demand for human and cargo transportation is strong, but the railway infrastructure is underdeveloped. Moreover, partly due to the aging state of the existing facilities, equipment, and rolling stock, services are affected by problems such as declining speeds and operational delays. Quality improvement is thus an issue that needs to be tackled. In partnership with Japanese and other enterprises, Sumitomo Corporation has won rail project contracts in various Southeast Asian countries. Using our rich experience to bring these projects to a successful completion, we contribute to the economic development of the respective countries and an improved quality of life for their citizens.

Relevant Material Issues



Manila MRT-3 rehabilitation and maintenance works

Manila Metro Rail Transit System Line 3 (MRT-3) was completed by Sumitomo Corporation in 2000 and used by approximately 500,000 passengers a day until the end of our maintenance period in 2012, making it a vital transport artery for the city. However, ridership declined to less than 400,000 due to the system deterioration. In response, the Philippine government sought the cooperation of the Japanese government and Sumitomo Corporation and commissioned us with rehabilitation and maintenance works. The Manila MRT-3 will now once again be a mainstay of Manila's public transit system, providing high-quality service to the Philippine metropolis.



Manila MRT-3

Contributing to the Development of Local Communities and Industries



MRT railcars traveling alongside a main road in Jakarta

Approaches to Material Issues



Offering a product range unique to Shop Channel, programs buzz with live action

Establishing a Foundation for Comfortable and Enriching Lifestyles



Shop Channel, Japan's No. 1 TV shopping channel

Areas: Japan

Jupiter Shop Channel Co., Ltd. started broadcasting in 1996 as Japan's first channel dedicated to shopping, and has since grown to become Japan's leading TV shopping company. Its wide range of products, from fashion and beauty to household goods and food products, are selected according to a distinctive set of criteria comprising uniqueness, rarity, value, and storyline. As many as 500 items are presented every week via 24/7 live broadcasting. Viewers are attracted by the lively and detailed presentations, which convey the product features clearly, and by the channel's distinctive production approach rich in flexible improvisation.

Relevant Material Issues



Program information and product details are also offered through the official smartphone app and a range of social networking services.

Reaching out to new customer segments through new sales media for further growth

Shop Channel has conventionally focused mainly on selling through TV media, but for further growth and to reach out to new customer segments, we are now also working on services delivered through websites and social media. By enhancing the smartphone app and linking it in real-time with live TV broadcasts, we will make it possible to view Shop Channel and place orders anytime, anywhere. We are also working to expand sales opportunities by using Internet-only content and video content streamed through social networking services. By expanding customer contact points, we aim to continue delivering shopping services in ever more convenient and enjoyable formats.

Evolving mobility to support the movement of people and goods

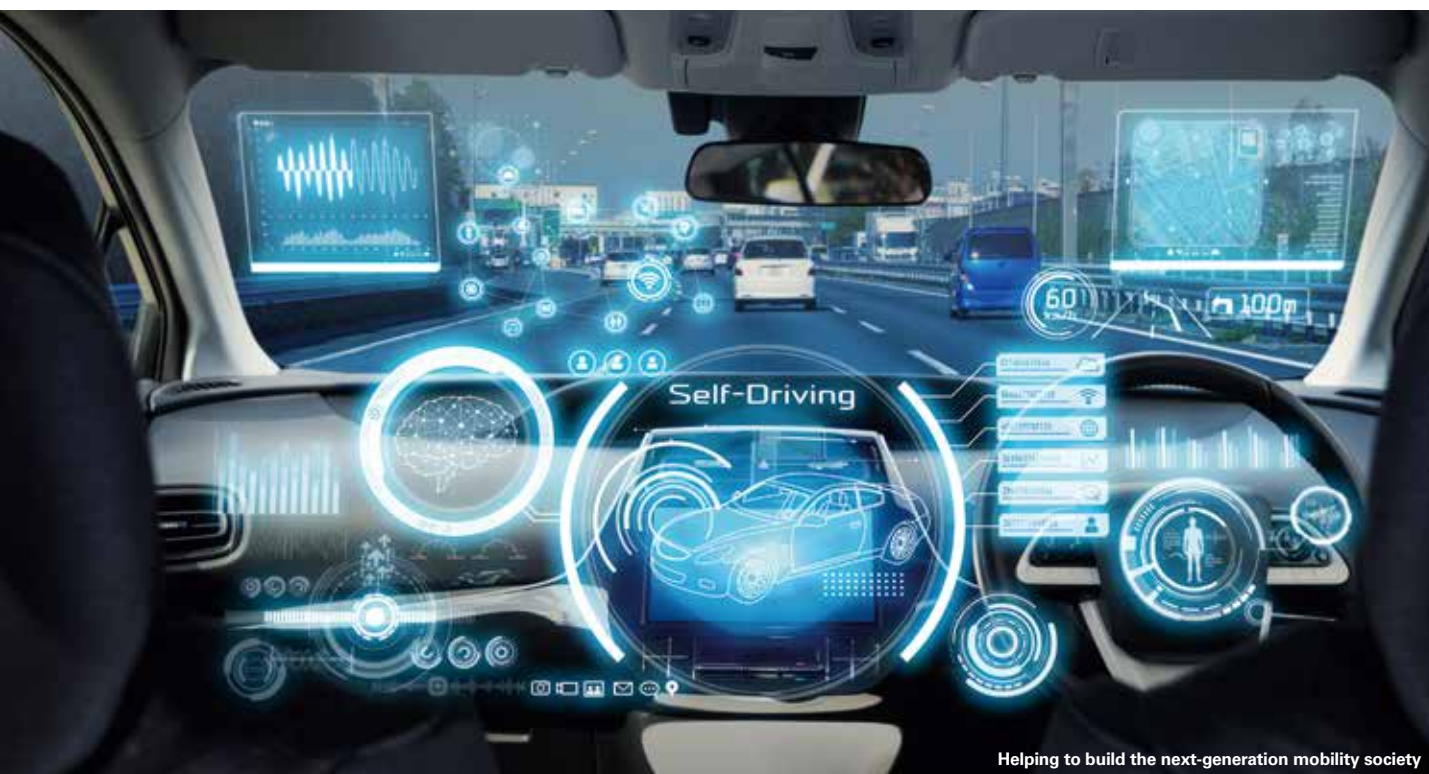
Areas: Worldwide

The movement of people and goods is directly linked to economic trends, and our aircraft and automotive businesses act literally as a driving force for development in society. In addition to strengthening the present wide-ranging value chain of these businesses, we have invested in new sectors to respond to the recent shift in consumer priorities from material goods to experiences and from owning to using. In the automotive business, for example, through our participation in the connected vehicle sector, which enhances vehicles with connectivity through communications technology, and the car sharing sector, we are implementing a wide range of services for the new automotive society. We will continue working to deliver innovative mobility services with the aim of contributing to new technological advances, the development of industry, and the building of the next-generation mobility society.

Relevant Material Issues



Providing Diverse "Accessibility"



Helping to build the next-generation mobility society

Creating new businesses in the air mobility field

Air mobility—a service that uses small electric-powered aircraft that can take off and land vertically to shorten transport times, improve convenience, and speed up cargo operations—is seen as having the potential to revolutionize existing concepts of airborne transportation. Sumitomo Corporation has entered into a business alliance with Bell Textron Inc., a leading company in the air mobility sector, and aims to deliver services such as Bell's drone Autonomous Pod Transport (APT) and Air Taxi *Nexus*, with a target date for practical realization of sometime in the mid-2020s.



Air mobility that will revolutionize airborne transport

Social Contribution Activities

The Sumitomo Corporation Group contributes to developing the local communities in Japan and overseas where it does business as well as to creating next-generation human resources. The Group's activities are guided by its Basic Principles on Social Contribution Activities.

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

OBJECTIVE We, as a global organization, will work on social issues through our business activities and social contribution activities with the aim of building a sustainable society by implementing the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

ACTIVITIES We will engage in social contribution 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. We will also take part in various activities as a good corporate citizen.

APPROACH We will perform and seek to continuously improve our activities with modesty and high aspirations and endeavor to maintain a high level of transparency while strengthening our relationships with all our stakeholders.

Marking our centennial with the launch of 100SEED

The Sumitomo Corporation Group is currently rolling out The Next Century Project, a forward-looking initiative with a vision for the next 100 years. After numerous discussions on the project, we came to an idea that includes not only the Sumitomo Corporation Group but also society as a whole in its vision for the 100 years from now. The result is the launch of 100SEED, the first program to involve group employees worldwide in the planning and implementation of social contribution activities.

The program works in three stages: POST, where employees post an opinion on the social issues that concern them; DISCUSS, where they decide the form their activities should take; and ACT, where they then implement the relevant activities. Through participation at each stage, individual employees take ownership of social issues. In this way, the program continues our 100-year tradition of implementing Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Management Principles, and embodies our wish to continue developing hand-in-hand with society.

Concept

- ✓ Consider social contribution activities that the Sumitomo Corporation Group should implement by thinking back from what we wish for the future.
- ✓ Make efforts to resolve the different social issues around the world by making use of the diverse ideas held by people in the Sumitomo Corporation Group.
- ✓ Put action plans to work through visiting, communicating and hands-on participation at site.



Online posting to discuss that social issues to address in each region

We set up a dedicated website open to participation by all group employees worldwide. The website, which was coordinated in each region by a representative known as the Next Century Ambassador, presented an outline of the program and its aims along with other relevant information and invited employees to post their own ideas and opinions.

Using the United Nations' 17 Sustainable Development Goals (SDGs) as a reference point, the website called on employees to nominate social issues and state why they concerned them. Within the two months from February 2019, over 2,500 posts were received. In May, the program progressed to the DISCUSS stage, where the themes to be addressed in each region and the global orientation of activities is being debated.



The content of posts showed a distinct local flavor in each region. SDG No. 4, "Quality Education" attracted a high level of interest across all regions.



Engaging in a wide range of social contribution activities in each global region

Here, we present ongoing initiatives to contribute to the local communities throughout Japan and overseas in which the Sumitomo Corporation Group operates.



EMEA & CIS

Supporting a children's hospice

Since 2014, Sumitomo Deutschland GmbH has made donations to the Düsseldorf hospice Regenbogenland, which supports terminally ill children and their families. As part of their continued support, employees make regular visits to the facility to hear at first hand from those at the frontline of its work.



AMERICAS

Donating bicycles for children

Sumitomo Corporation of Americas holds an annual companywide event, SCOA WEEK, during which employees carry out social contribution activities. In 2018, employees formed teams to take part in a Build-a-Bike competition. The assembled bicycles were then donated in completed form to disadvantaged children in local communities.



EAST ASIA

Supporting education in poor areas

In China, Chinese and Japanese employees cooperated in collecting donations, which were matched with an equal sum by group companies and then used to support disadvantaged students in Anhui Province. Employees have maintained direct contact with the students that they support by making on-site visits to their home province and inviting them to Shanghai. This activity was launched in 2009 by Sumitomo Corporation (Shanghai) Limited and has now expanded to Sumitomo Corporation China Group.



ASIA & OCEANIA

Supporting people in need

In Singapore, a diverse range of employees take part as corporate volunteers in activities to support people in need. These activities take many forms, from help with mobility and the provision of meals to sport and art therapy, and attracted the participation of 89 volunteers in FY2018.



JAPAN

Introducing Japanese culture

With the aim of building good relations with local communities at overseas business bases, we give presentations on traditional Japanese culture. The Kesenuma Shishiori Marine Product Processing Cooperative is a group of businesses located in Miyagi Prefecture, to which Sumitomo Corporation is

providing cooperation for industrial recovery after the devastating tsunami and earthquake of 2011. In 2019, Indonesian technical trainees working at member businesses of the cooperative were invited to such hands-on experiences as *kimono* wearing and a traditional Japanese tea ceremony.