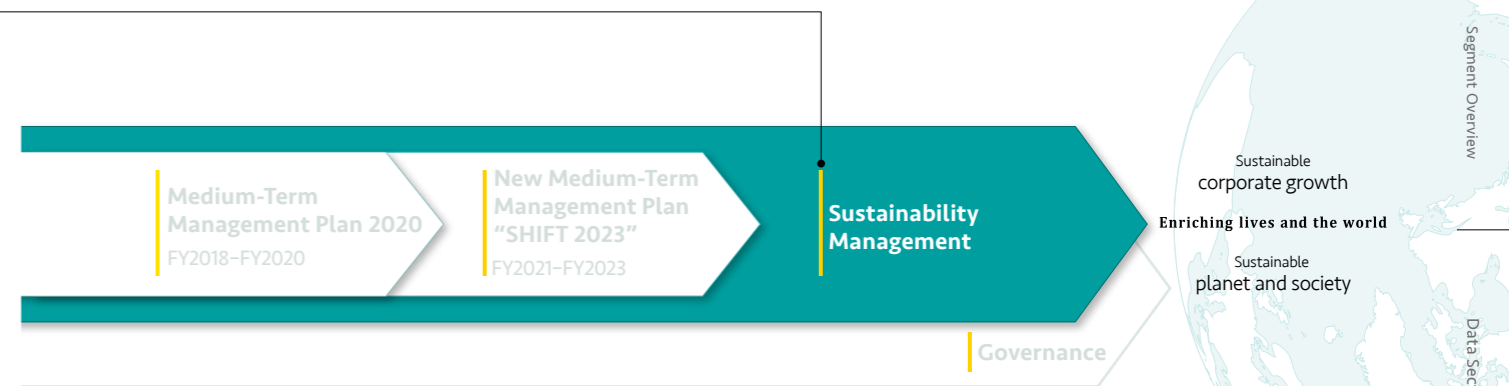




Part 3

Sustainability Management

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Message from the Chief Strategy Officer

We will enhance sustainability management as a growth strategy for achieving a sustainable society.



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

Growth strategy and sustainability management

Sustainability management involves both “sustainable corporate growth” and “contribution to the development of a sustainable society.” I believe that future corporate activities should combine the two as a single initiative. Companies can demonstrate value creation story over the long term by anticipating future changes in the business environment and realizing those two pursuits together.

How can we achieve both the Group’s growth strategy and a sustainable society, and how can we pursue our value creation? In formulating the Sumitomo Corporation Group’s new medium-term management plan, which went into effect in FY2021, we had many serious debates. With the new plan later named as SHIFT 2023, we have come to the conclusion that it is essential to closely link the sustainability more to our business activities, and reflect it in allocation of our management resources to each initiative, rather than position sustainability as a fundamental concept when pursuing the plan. We intend to enhance the sustainability management we have thus far promoted and will explain the details later.

Sumitomo’s Business Philosophy, the basis of our sustainability management

Before discussing the initiatives included in SHIFT 2023, I would first like to summarize the history of the Sumitomo Corporation Group’s sustainability management efforts.

In common with other Sumitomo Group companies, we have inherited and passed down Sumitomo’s Business Philosophy over the years. Within Sumitomo’s Business Philosophy, there is the idea of “Benefit for self and others, private and public interests are one and the same.” This phrase expresses the notion that Sumitomo’s businesses must go beyond benefiting Sumitomo itself to also benefit the nation and society. It emphasizes the importance of being in harmony with the public interest, and I trust, this is exactly what sustainability management signifies today. Throughout its approximately 400-year history, the Sumitomo Group has used those values as a compass in striving to manage business in a way that aims for economic gain and in accordance with its mission of contributing to the public interest and public benefit. The Group has done so while dealing with social issues and flexibly responding to changes in the business environment.

Society today faces most pressing challenges for survival, including climate change, biodiversity loss, depletion of natural resources, and human rights violations. Overcoming these issues and returning society to a path of sustainable development is a challenge for the whole world. Companies are being strongly required to take proactive roles in addressing these problems.

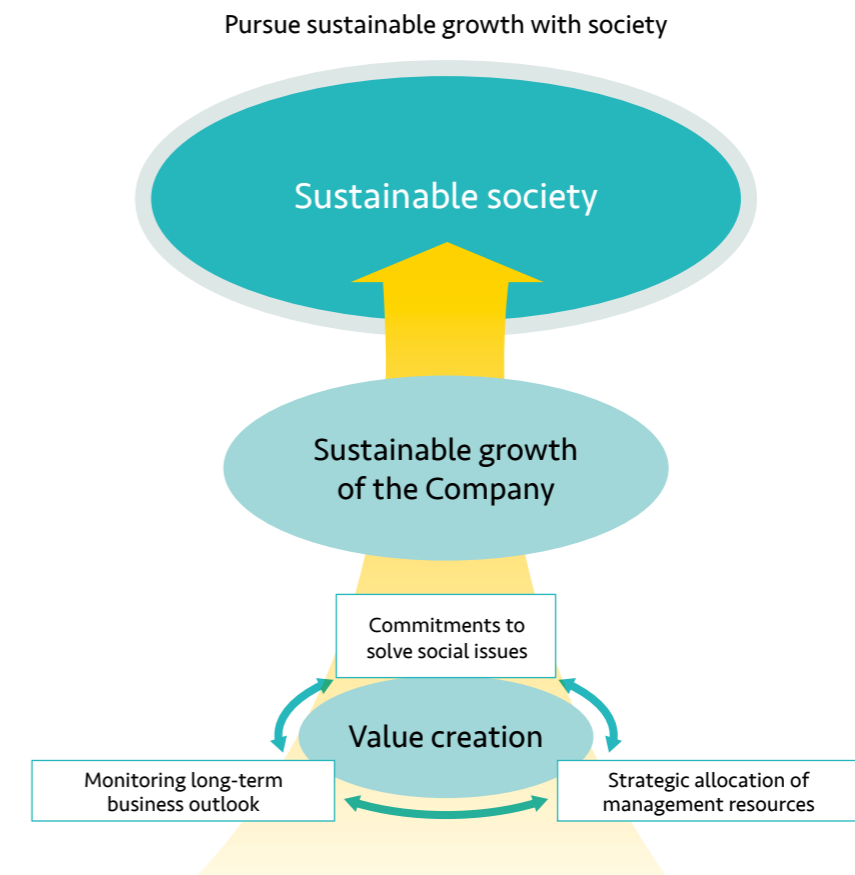
In such an era today, I believe it is essential for us to embody Sumitomo’s Business Philosophy in our management. I am confident that companies that are committed to a medium- to long-term approach to solving social issues and pursuing an ideal society as Sumitomo has done, could seize more business opportunities, decrease the risk inherent in their corporate management, and achieve sustainable growth for their corporate value.

Striving for further advancement and our SHIFT 2023 initiatives

In recent years, the Sumitomo Corporation Group has been working to contribute to solve social issues through its businesses, with an essential management theme, “the achievement of a sustainable society.”

In FY2017, the Sumitomo Corporation Group identified six material issues that we should address with priority to achieve sustainable growth together with society. Since then, we have been advocating and putting into practice sustainability management. The initiative of such management is achieving sustainable growth with society by placing those material issues at the core of our management decisions. We are always

Sustainability management at the Sumitomo Corporation Group



Message from the Chief Strategy Officer

mindful of keeping those issues consistent with individual business strategies. (▶ Refer to p. 9)

Since FY2020, we have also been promoting the enhancement of sustainability management. Specifically, among the social issues the world is tackling, we identified six key social issues that are especially relevant to the Group's business activities. We have formulated long-term goals to contribute to resolving each of those issues.

In FY2021, aiming to further accelerate the Group's sustainability management, we launched measures linked to new medium-term management plan "SHIFT 2023" as mentioned at the beginning of this message.

I believe that while sustainability initiatives should be promoted over the long term, it is also important to steadily achieve tangible progress at the outset. Thus, at the same time as we began SHIFT 2023, we set corresponding medium-term goals to underpin the actions we would take to address key social issues. We also established KPIs and KAls to confirm the progress made on initiatives within business units. (▶ Refer to p. 63)

In terms of the Group's growth strategy, SHIFT 2023 will also promote strategic allocation of management resources in anticipation of new business opportunities that will emerge in developing a sustainable society, such as with carbon neutrality and circular economy. For example, the areas for our next-generation growth fields, which are aimed at establishing future core businesses, were selected based on social demand for sustainability. (▶ Refer to p. 39)

For companies, social issues could be both opportunities and risks in the medium to long term. The sustainable growth of companies will depend on how well they are able to gain business opportunities ahead of time amid a changing business environment. It will also depend on how they can manage risks while recognizing and assessing them. Such discernment and risk management capabilities are at the heart of an integrated trading company's business model. We will continue to develop a business portfolio that balances tackling social issues with economic rationality by enhancing sustainability management.

Strengthening governance in sustainability management

I would like to continue a little more about risk management. Social issues related to sustainability bring changes in markets and needs; they have various impacts on us as a company that

globally operates a diverse array of businesses. For the Group to grow together with society, it is essential to understand both the positive and negative impacts on our businesses and supply chains and to make the requisite management decisions.

To that end, we are undertaking efforts to further enhance governance in our business activities. Besides managing financial indicators, under SHIFT 2023 we will take firm steps to achieve our long- and medium-term goals for key social issues (non-financial indicators) by implementing the PDCA cycle to confirm the progress of our action plans periodically.

To appropriately manage the risk of our activities having a serious impact on society, we are enhancing the screening process for new investment projects and post-investment monitoring with ESG factors in mind. We have put a system in place to ensure that management is closely supervised by the Management Council and the Board of Directors through the Management Council's advisory bodies.

Focusing on climate change and human rights

Climate change and human rights are two social issues we have been called upon to address over the course of our business development. The Sumitomo Corporation Group has incorporated those areas into its set of key social issues we should tackle, and we have been striving to manage



opportunities and risks with practical and effective measures.

Climate change will have a wide-ranging impact on our business activities through natural disasters, shifts in the supply and demand of energy, and changes in various production technologies and lifestyles. In May 2021, the Group announced a review of its Policies on Climate Change Issues to accelerate the reduction of carbon footprint. To achieve our current long-term goals of becoming carbon neutral in our business activities by 2050 and striving to achieve a sustainable energy cycle, we have set medium-term goals to reduce the Group's CO₂ emissions by at least 50% by 2035 (compared with 2019), and to create businesses that will serve as the foundation of a sustainable energy cycle for society. (▶ Refer to p. 65)

Moreover, under SHIFT 2023, we have launched a new business development framework. It is the Energy Innovation Initiative (EII) aims to dynamically pursue new business opportunities brought about by changes to the social structure in the next-generation energy field. (▶ Refer to p. 67)

In recent years, there has also been growing attention to the theme of "business and human rights." Governments and companies around the world have been cooperating to protect the rights of all people involved in business supply chains.

Accordingly, we have set a long-term goal to "Respect human rights through all of our businesses and supply chains." We have also begun taking action toward achieving our medium-term goals in this regard, which involve promoting and ensuring respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights (a global standard for business and human rights) and the Sumitomo Corporation Group's Human Rights Policy, ensuring a safe work environment, and achieving a diverse organization grounded in mutual respect. (▶ Refer to p. 69)

Enhancing information disclosure and dialogue with stakeholders

We are aware that the Group's activities have an impact on shareholders, business partners, employees, and community residents near our businesses. Besides, our activities could affect the lives of people and societies around the world. We are fully aware of the magnitude of this influence and recognize that it is essential to put effort to gain the understanding and trust of wide-ranging stakeholders with respect to our Group's corporate practices, not just only act in

accordance with our own principles and decisions. To that end, it is of the utmost importance that we provide timely, transparent information on our management philosophy and growth strategies, the opportunities and risks we face, and both the positive and negative impacts of our business activities on society. We need to forge trust-based relationships through dialogue with our various stakeholders.

In accordance with its basic policy of proactively disclosing non-financial information, we expressed our support for the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019, and started information disclosures in line with the recommendations in the ESG Communication Book, which is updated annually.

In January 2021, we also expressed our support for Stakeholder Capitalism Metrics*, which were released by the International Business Council (IBC), a subordinate organization of the World Economic Forum, which hosts the Davos Forum. Starting in FY2021, we will disclose information based on those metrics as well and expand our non-financial information disclosures.

We will continue to strive to communicate with our stakeholders so that they can gain a deeper understanding of our business activities. We will incorporate the valuable feedback we receive through such dialogue to continue enhancing the sustainability management of the Sumitomo Corporation Group.

* Stakeholder Capitalism Metrics: A set of universal and comparable disclosures consisting of 21 core metrics and 34 expanded metrics focused on people, planet, prosperity, and governance.

For disclosure information in line with the Stakeholder Capitalism Metrics, please see the latest ESG Communication Book.



<https://www.sumitomocorp.com/en/jp/sustainability/report>

Sustainability management structure

We are developing a system by which to steadily promote sustainability management so as to continue achieving sustainable growth with society and creating the value society needs.

Promoting sustainability management

The Corporate Sustainability Department is in charge of the planning and promotion of Sumitomo Corporation's sustainability-related initiatives. The department ensures that sustainability is implemented groupwide by coordinating with the general managers and other relevant staff of each business unit's Planning & Coordination Department, who are responsible for promoting sustainability within each business unit, and with the staff of relevant corporate departments and overseas regional organizations.

The Corporate Sustainability Committee operates as an advisory body to the Management Council, reporting and referring important sustainability-related initiatives to the Management Council and the Board of Directors. This system ensures that sustainability promotion is subject to decision by the Management Council and supervision by the Board of Directors.

In June 2020, as part of enhancement of sustainability management, the Sumitomo Corporation Group selected six key social issues closely connected to its business activities and adopted associated long-term goals. And in May 2021, we also established medium-term goals.

We will continue steadily promoting sustainability management so as to continue achieving sustainable growth with society and creating the value society needs.

As indicated on the page at right, through risk management aligned with the specific characteristics and circumstances of each business, we will continue working to improve the level of social and environmental risk management across the Sumitomo Corporation Group's diverse range of business operations.

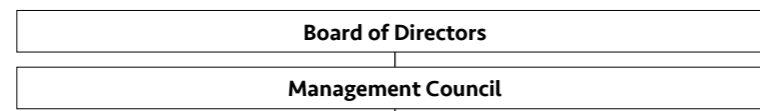
Initiatives to address climate change issues

Addressing climate change issues is one of the most important challenges of sustainability management. In 2021, we reviewed our policies on climate change issues and put forth promotion of carbon neutrality in our business activities and next-generation energy initiatives as new goals. In addition, we continuously monitor the situation of companywide risks related to climate change, and are working to enhance information disclosure according to the TCFD's recommendations. These policies and measures take into account the risks and opportunities we face in relation to climate change as well as our responsibility as a corporation with respect to helping resolve climate change issues. After discussion and decision by the Management Council, they are implemented with the approval and under the supervision of the Board of Directors, which includes Outside Directors with a wide range of knowledge.

Board of Directors / Management Council involvement in mitigation of climate change

- Establishment of goals and action plans for key social issues
- Regular monitoring of major risks and thorough review/discussion of measures
- Establishment of system that enables to consider impacts on society and the environment before executing new investments and loans
- Support of the TCFD's final recommendations (March 2019) and IBC Stakeholder Capitalism Metrics (January 2021), as well as promotion of improved disclosure of financial and non-financial information related to climate change
- Setting "next-generation energy" as a growth strategy theme

Corporate sustainability system



Corporate Sustainability Committee

Discussion of relevant measures, and information sharing

Chairperson: Chief Strategy Officer

Members (General managers of each of the following Dept.):

- Planning & Coordination Dept. of each business unit
- Global Coordination Dept.
- Corporate Sustainability Dept.
- Human Resources Dept.
- Legal Dept.
- Financial Planning & Coordination Dept.
- Internal Auditing Dept.
- Investor Relations Dept.
- IT Governance & Administration Dept.
- Corporate Legal & General Affairs Dept.
- Finance Dept.
- Risk Management Dept. No. 1
- Corporate Planning & Coordination Dept.
- Corporate Communications Dept.

Secretariat: Corporate Sustainability Dept.

Social and environmental risk management as part of sustainability management

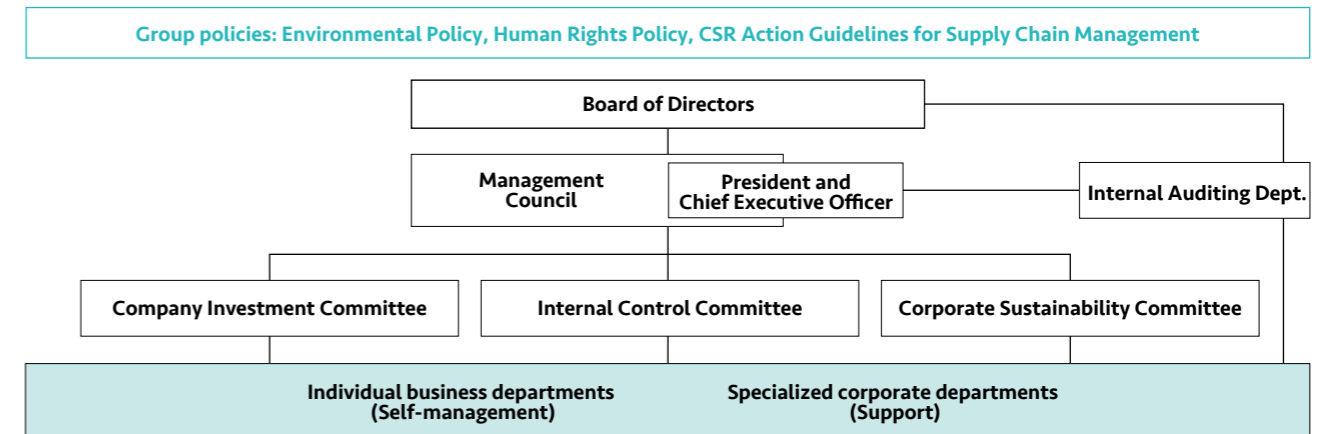
The Sumitomo Corporation Group has established a companywide framework to perform appropriate monitoring of the social and environmental impact of the Group's entire business activities. At the point of research for new investments, we ensure that the business is soundly managed and does not have serious impacts on stakeholders by using environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm, considering the specifics of each business. As follow-up to the investment, the responsible business department and related corporate departments work together through dialogue with group companies to carry out regular monitoring from the viewpoint of the environment, human rights, labor management, the supply chain, and other aspects. If an issue arises, remedial action is taken in line with the specifics of the case. Internal audits that take into account special characteristics of the business are used to confirm that management operations are legally compliant and meet international standards on social and environmental issues. When a case relating to the impact of the Sumitomo Corporation Group's business activities is referred to by a local community, a non-governmental organization (NGO), or another stakeholder, we ascertain the facts and engage in dialogue and discussion toward improvement. If, as a result of

this process of review and monitoring of new investments, an important social or environmental issue is confirmed, the individual response is reported or referred for further discussion to the Management Council and the Board of Directors through the relevant internal committees.

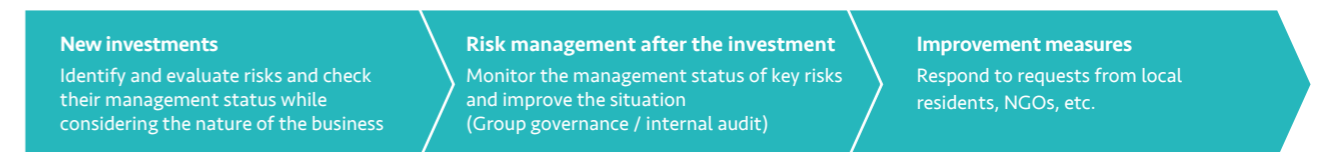
We are also working to further enhance the Sumitomo Corporation Group's social and environmental risk management system. We have established the Environmental Policy, Human Rights Policy, CSR Action Guidelines for Supply Chain Management, and other clear statements of Sumitomo Corporation's approach to social and environmental issues, and we are working to ensure that these policies are fully implemented throughout the Group.

In April 2020, we introduced an evaluation tool, which is a set of assessment sheets, used for checking social and environmental risks when an investment proposal is submitted. We use the assessment sheets to analyze whether there is a potential social or environmental risk in the new investment, for instance, whether the business involves hiring immigrant workers or requiring local residents to relocate or whether the business conducts unsustainable procurement or has an impact on climate change. Depending on the risk, the Corporate Sustainability Department may also participate in the discussion for making decisions on investments. This system ensures comprehensive management of the different social and environmental risks of each business.

Framework for social and environmental risk management



Risk management activities through companywide framework



Key social issues and medium- and long-term goals

We identified six key social issues and set long-term goals for realizing a sustainable society along with medium-term goals as our specific action plan.

Identification process

In FY2019, we launched an internal project team to enhance our sustainability management. Based on the characteristics of our business activities as an integrated trading company, the project team came up with hypotheses related to important issues deeply involving the Group and picked out several issues from the long list. At the same time, they conducted surveys and interviews with the general managers of each business unit and division concerning opportunities and risks related to social issues within the strategies and business activities of each organization based on the long list. They then analyzed the relationship of our businesses to each issue. Finally, after comparing their hypotheses with the survey results and organizing them into categories, the team identified six key social issues. The key social issues and long-term goals were decided in June 2020 after resolutions by the Management Council and the Board of Directors. We also decided on medium-term goals in May 2021. In this series of processes, opinions were exchanged with experts on the environment and human rights, institutional investors, international organizations, and others to verify that the expectations of our various stakeholders have been properly reflected.

Key social issues and medium- and long-term goals

	Key social issues	Long-term goals	Medium-term goals	Relevant SDGs	
Sustainability of society	Mitigation of climate change ▶ Refer to p. 65	Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle	<p>Reduce the Group's CO₂ emissions 50% or more by 2035 (compared to 2019)</p> <ul style="list-style-type: none"> Reduce CO₂ emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables*1 in terms of net ownership generation capacity. Reduce indirect CO₂ emissions*2 associated with the fossil fuel upstream business by 90% or more by 2035. Reduce CO₂ emissions in all other businesses*3. <p>Establish businesses that will form the foundation for a sustainable energy cycle in society</p> <ul style="list-style-type: none"> Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)*4, and expand new power and energy services. Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc. 		
	Circular economy	Sustainable use of natural resources	Shift to recyclable, efficient technologies and products	<p>Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage</p> <ul style="list-style-type: none"> Expand use of raw materials derived from recycled or renewable resources. Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.). <p>Reinforce the sustainable procurement system for major natural resources used by the Group</p> <ul style="list-style-type: none"> Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system. 	
			Respect for human rights ▶ Refer to p. 69	Respect human rights through all of our businesses and supply chains	<p>Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy</p> <ul style="list-style-type: none"> By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries. Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism*5 based on assessment results. <p>Ensure a safe workplace environment</p> <ul style="list-style-type: none"> Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. <p>Achieve a diverse organization grounded in mutual respect</p> <ul style="list-style-type: none"> Provide a safe working environment that is free from discrimination and harassment. Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.
Development and evolution of society	Development of local society and economy	Contribute to development of local industries and human resources	<p>Develop local industries, create jobs, and develop human resources through the Group's global business operations</p> <ul style="list-style-type: none"> Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. Create employment and develop management and highly skilled human resources at the Group's business sites. <p>Establish industrial and social infrastructure that contributes to the sustainable development of society</p> <ul style="list-style-type: none"> Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions. 		
		Develop industrial and social infrastructure			
	Improvement of living standard	Provide advanced lifestyle-related services	<p>Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations</p> <ul style="list-style-type: none"> Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts. 		
	Quality education	Contribute to quality education	<p>Provide quality and equal learning opportunities through 100SEED*6 activities</p> <ul style="list-style-type: none"> Quantitatively expand the scope of learning opportunities. 100% satisfaction of beneficiaries. Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations, and Group companies). 		

*1 As of 2020: coal 50%, gas 30%, renewables 20%
 *2 Indirect CO₂ emissions generated by others with the use of fossil fuel
 *3 Contribute to CO₂ reduction by setting targets for individual businesses
 *4 As of 2020: 1.5GW (1GW = 1 billion W)
 *5 A process that employees, local residents, or other stakeholders can use to lodge complaints regarding human rights violations and other issues related to enterprise's business activities including its supply chain, for resolving such issues
 *6 Social contribution projects with employee participation at the Sumitomo Corporation Group

Mitigation of climate change

Medium- and long-term goals on climate change issues

We consider mitigation of climate change as one of the important social issues for the realization of a sustainable society. We aim to help resolve various issues related to mitigation of climate change, including achievement of the goals stipulated in the Paris Agreement.

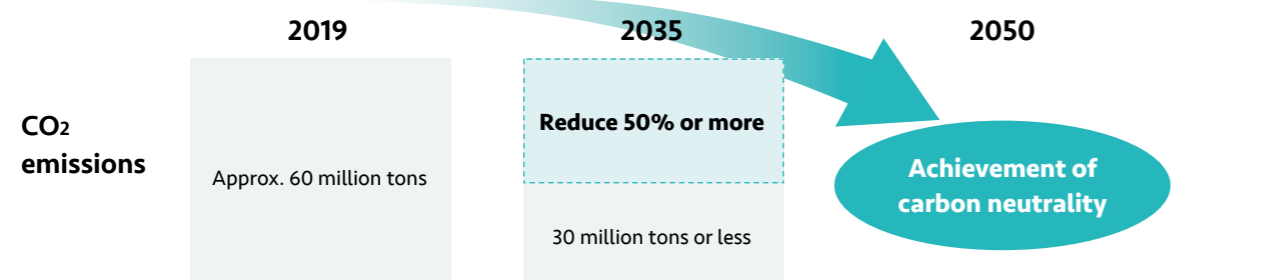
In June 2020, we announced our policy of realizing carbon neutrality in the business activities of the Group by 2050 and

contributing to carbon neutrality in society as our long-term goals ahead of the Japanese government's declaration for the realization of carbon neutrality by 2050. In our medium-term goals established in May 2021, we have identified the specific path we will take to reduce CO₂ emissions by at least 50% compared to 2019 by the interim year of 2035 on the way to achieving these long-term goals.

Going forward, we will monitor progress made toward achieving each goal and work to expand our disclosure of information to stakeholders.

Long-term goals	Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle
Medium-term goals	<ul style="list-style-type: none"> Reduce the Group's CO₂ emissions 50% or more by 2035 (compared to 2019) Establish businesses that will form the foundation for a sustainable energy cycle in society

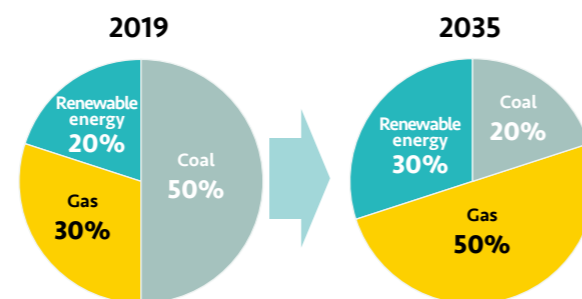
Sumitomo Corporation Group targets for reducing CO₂ emissions



Scope of carbon neutrality

Scope	Category	CO ₂ Emissions (million tons)
Scope 1	Direct emissions	Approx. 1 million tons
Scope 2	Indirect emissions from acquired electricity, etc.	
Scope 3	Other indirect emissions	Approx. 16 million tons
	Fossil fuel upstream business	
	Sumitomo Corporation/Subsidiaries	Approx. 43 million tons
	Associated companies (equity method)	Power generation business (including facilities under construction)

Power generation portfolio (percentages of coal, gas, and renewable energy)



Review of policies on climate change issues for realizing carbon neutrality by 2050

We announced new policies on climate change issues along with our medium-term goals for key social issues. Under these new policies, we will have no further involvement in coal-fired independent power producer (IPP) or engineering, procurement, and construction (EPC) businesses, and we will end or withdraw from all coal-fired power generation businesses by the late 2040s.

As for our power generation portfolio, we clarified that we will accelerate the shift to a portfolio with a lower environmental impact. While reducing the percentage of coal-fired power generation businesses up to 2035, we will also steadily increase the percentage of renewable energy, which is our strength.

Our policy is to not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

Policies on Climate Change Issues

Basic Policy

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

Policy on Business Activities

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

*1 The scope of business targeted for carbon neutralization is as follows
 [Scope 1, 2] Direct CO₂ emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO₂ emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included).
 [Scope 3] Indirect CO₂ emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method.

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

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

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

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

Mitigation of climate change

Enhancing information disclosure based on TCFD recommendations

Climate change issues are vital issues that call for a united global approach to realize a sustainable society. Global trends to mitigate climate change have brought significant changes to the business environment surrounding companies, including the adoption of new technologies contributing to decarbonization in various industries and transformation of business models. In the midst of this backdrop, companies are being pressed strongly about what role they should play in mitigating climate change and how they should address business risks and opportunities related to climate change. Due to these circumstances, stakeholders are becoming more aware of climate change issues and emphasizing efforts to address the issues as an aspect of their evaluations of companies. We actively publish our policies on climate change issues and information related to our initiatives through our integrated report as well as our corporate website and our ESG Communication Book. In addition, we are working to further enhance information disclosure through opportunities for dialogue, such as ESG briefings.

Furthermore, recognizing the importance of disclosing information related to our initiatives to address climate change issues, we have been supporting the final recommendations of the TCFD since March 2019. We established medium- and long-term goals for mitigating climate change as a key social issue. In compliance with the framework recommended by the TCFD, including efforts such as reviewing various policies on climate change issues, we disclose relevant information on governance, strategy, risk management, and metrics and targets on our corporate website and in our ESG Communication Book.

Efforts to mitigate climate change are picking up steam worldwide, and governments and companies are coming up with plans and measures to achieve carbon neutrality earlier, being conscious of the target set forth in the Paris Agreement of limiting the global temperature rise to 1.5°C. Changes in the business environment related to climate change are expected to become more and more drastic. We will position our initiatives to mitigate climate change as the development of strategic business opportunities while promoting enhancement of risk management related to climate change. We will also conduct a more extensive analysis of our risks assuming various long-term changes in the business environment, including scenarios of rapid climate change mitigation and decarbonization of society, and disclose information related to those risks.

For the latest disclosures based on TCFD recommendations, please see our ESG Communication Book.



<https://www.sumitomocorp.com/en/jp/sustainability/report>

Develop new businesses for realizing a sustainable energy cycle

We established the Energy Innovation Initiative (EII), a new business organization that aims to create next-generation businesses that contribute to the realization of a carbon-neutral society, in April 2021.

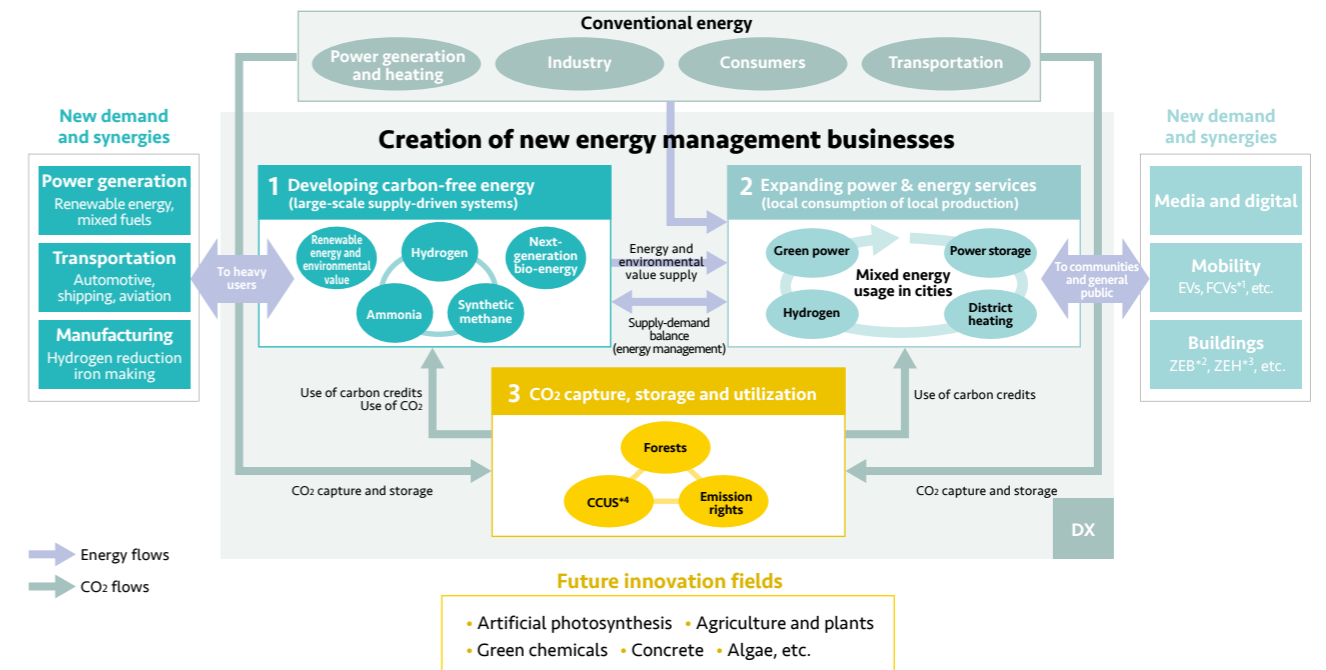
This organization aims to develop a decarbonization and recycling energy system and is engaged in cross-organizational efforts.

Specifically, these efforts are carried out in the three priority fields of “developing carbon-free energy” (such as hydrogen and next-generation bio-energy), “expanding power & energy services” (such as large-scale storage batteries and distributed power sources), and “CO₂ capture, storage and utilization.”

These three priority fields do not exist independently of each other but rather are interrelated, forming a single energy system. It will create new value by combining and uniting these fields. The EII calls this “the new energy management business” and is pursuing the creation of a next-generation business by combining related demand and synergy. The various projects of the EII include ones already commercialized and ones in different stages from field testing to social implementation. Work is underway to establish a sizable earnings base with 2030 as one possible target.

A business that creates and provides value that is truly needed by society is a business that is decidedly and highly resilient. We will take a medium- to long-term view and contribute to the realization of a carbon-neutral society.

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

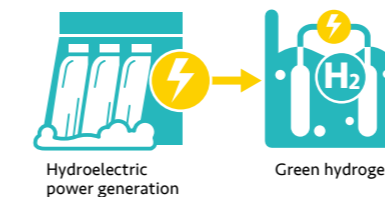


*1 FCV: Fuel cell vehicle
 *2 ZEB: Net zero energy building
 A building that aims to reduce the net annual primary energy consumption to zero
 *3 ZEH: Net Zero Energy House
 A house that aims to reduce the net annual primary energy consumption to zero
 *4 CCUS: Carbon dioxide Capture, Utilization and Storage
 Technology for capturing, effectively utilizing, and storing CO₂

Example of developing carbon-free energy

Green hydrogen production through hydroelectric power generation in Malaysia

Since launching the Hydrogen Value Chain Subcommittee in 2015, we have been building a global network and organizing projects with many partners. We are currently working on a feasibility study in collaboration with a Sarawak state government's investment agency and Japanese partner. We have begun hydrogen production in Sarawak for local consumption with a target of 2023, and we aim to build a system for producing and exporting hydrogen mainly to the Japanese market by 2030.



Example of expanding power & energy services

Green electricity platform business centered on distributed solar power sources

In April 2021, we invested in Singapore-based Sunseap Group Pte. Ltd. The company has a distributed solar power generation business with a net ownership generation capacity of approximately 220 MW, and boasts the top share of the Southeast Asian market. Leveraging Sunseap's know-how and the Sumitomo Corporation Group's customer base, we will promote a green electricity platform business.



Example of CO₂ capture, storage and utilization

Creation of new environmental value through utilization of forest resources in New Zealand and Russia

We have a timber and forestry business in New Zealand and Russia as our pillar. The scale of the forest assets that we manage and operate is outstanding among Japanese trading companies. We will contribute to the capture and storage of CO₂ through appropriate forest management that considers the environment. We are also working to create new value, including emission credits, making full use of our forestry business portfolio.



Respect for human rights

Human rights policy

Respect for human rights is essential for ensuring the sustainable growth of a business. In that regard, we have established the long-term goal of respecting human rights in all of our businesses and supply chains.

The Group declares in its Management Principles that it places prime importance on utmost respect for the individual. In 2020, we established the Sumitomo Corporation Group's

Human Rights Policy, which represents our commitment to respect human rights to fulfill our corporate social responsibility and to grow sustainably with society.

Our medium-term goal is to thoroughly instill respect for human rights in accordance with this policy, and we will strengthen risk analysis via human rights due diligence and implement measures to mitigate risk. We will also build a more effective grievance mechanism based on the results of an assessment of human rights risks.

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual. We will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth with society. Sumitomo Corporation became a signatory in 2009 to the "Ten Principles of the United Nations Global Compact", which advocates for values common to its own management principles, including those regarding human rights and labor. We also respect the "International Bill of Human Rights" and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work", and we operate in accordance with the "United Nations Guiding Principles on Business and Human Rights".

1. Scope of application

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

2. Human rights due diligence

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

3. Compliance with relevant laws

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

4. Stakeholder engagement

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

5. Education

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

6. Reporting

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

Human rights due diligence

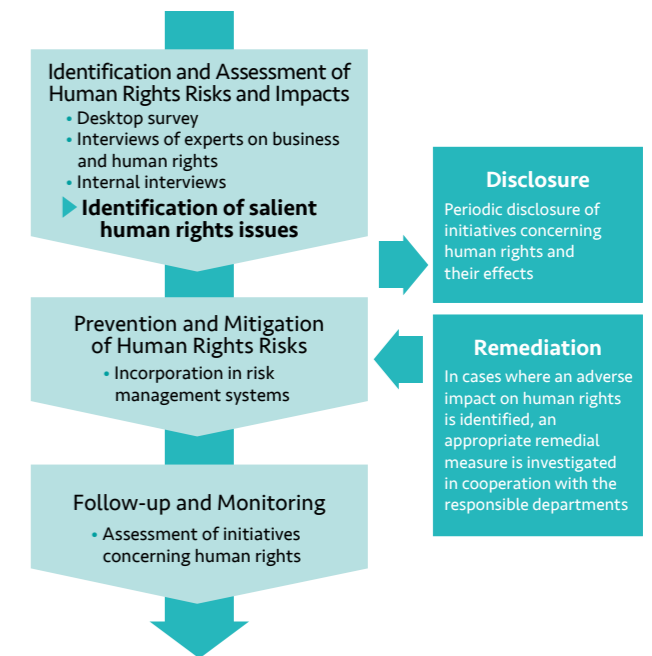
Based on the Sumitomo Corporation Group's Human Rights Policy, we began human rights due diligence in 2020 so that we can identify, prevent, mitigate, and account for how we address any adverse human rights impact that the Group business activities may cause or contribute to. This initiative is carried out via a process in line with international guidance such as the United Nations Guiding Principles on Business and Human Rights, the United Nations Guiding Principles Reporting Framework, and the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct. In FY2020, as the first step, we worked to identify salient human rights issues that should be prioritized in order to evaluate the impact of the Group's business activities on human rights and the related risks. As a result, we identified the eight issues below.

Going forward, we will prioritize the fields with the highest risk according to each of these human rights issues and review and execute a specific action plan to prevent and mitigate risks. We will continuously monitor initiatives to respect human rights that have already been implemented in individual businesses and periodically disclose the results. In addition, we will incorporate human rights risk assessments conducted on each business into the companywide risk management cycle, including supply chain management, and promote improvement efforts.

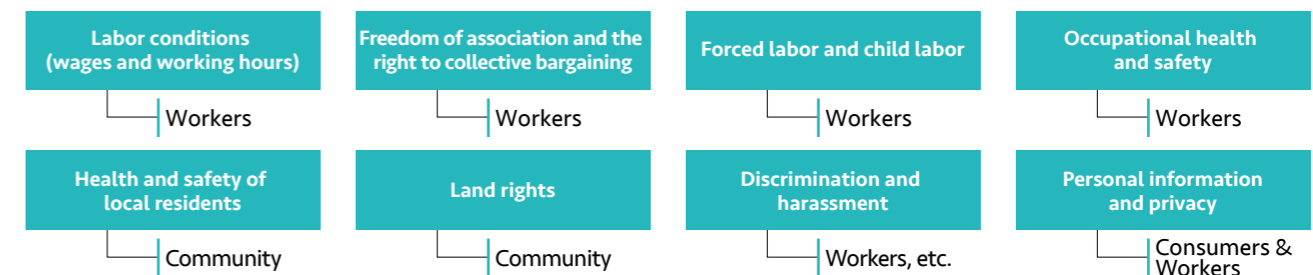
The social environment surrounding us is changing daily because of advances in digital technology, the spread of

COVID-19, and other events. In conjunction with this, the value chain situation and human rights issues in each business are changing on a daily basis. Through dialogue with stakeholders, we regularly check potential human rights issues and risks that may involve the diverse businesses of the Group and work to gain a more accurate and precise understanding of the situation.

Process of identification of salient human rights issues



Salient human rights issues



For further details on initiatives concerning respect for human rights, please see our ESG Communication Book. <https://www.sumitomocorp.com/en/jp/sustainability/report>

