Our Climate Change Initiatives

- Climate change is a critical issue that the world must work as one to overcome in order to realize a sustainable society. Companies are being called on to play a major part in tackling this issue.
- In order to create sustainable energy cycles and help solve climate change problems by realizing a carbon neutral society, this fiscal year, the Board of Directors adopted a resolution concerning the Group's policies on responses to climate change issues and clarified the Group's roles.

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050*.
  Develop technologies and business models for creating a sustainable energy cycle by reducing CO₂ emissions and achieving negative emissions** 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.
  (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% to 30%; gas 30% to 40%; and renewables 20% to 30%)

- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050.

  * The scope of business targeted for carbon neutralization is as follows
    [Scope1-2] Direct CO₂ emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO₂ emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)
    [Scope3] Indirect CO₂ emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method.
  Carbon neutrality means net-zero CO₂ emissions that combine CO₂ emissions from our business and our contributions to CO₂ emission reduction.

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

Additional notes: In 2019, the Company has established the following policies regarding coal-fired power generation business and thermal coal mining business. In addition, the revised policy sets carbon neutrality by 2050 and the development of coal-fired power generation and fossil energy concession will be operated to meet the goal.
- 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.
Governance

Structure for Responding to Climate Change Issues

- With regard to the various opportunities and risks related to climate change issues involved in the Group's diverse business activities, the Board of Directors receives periodic reports on strategies in the Group's diverse activities each business field, their progress, and the status of risks affecting the company's entire business portfolio, and monitors whether appropriate management is being carried out. In addition, the Board of Directors adopts resolutions establishing policies on the Group's responses to climate change problems and discusses the handling of important issues related to policies on responses to climate change issues.

- The Group holds biannual strategic conferences with the participation of Management Council members to discuss strategies in each business field including measures for addressing social problems such as climate change under the Medium-term Management Plan.

- In addition to the measures taken by individual business units with regard to the opportunities and risks presented by climate change issues, the Corporate Sustainability Department, a dedicated organization for dealing with social problems, the Corporate Planning & Coordination Department, which creates the company's overall management plans and formulates key initiatives, and the risk management organizations work together, formulating company-wide policies and promoting necessary initiatives. Based on information provided by investigative organizations and sales organizations within the Group, overseas sites, and other parties, they deliberate on companywide measures.

- The Corporate Sustainability Committee (chairperson: Chief Strategy Officer, secretariat: Corporate Sustainability Department) follows global climate change mitigation trends and the Medium-term Management Plan Promotion Support Committee (chairperson: Chief Strategy Officer, secretariat: Corporate Planning & Coordination Department) deliberates on strategies and risk management measures related to climate change. The two committees provide reports and refers issues to the Management Council, which makes critical decisions regarding climate change-related measures.
Strategy: Climate Change-Related Risks and Opportunities

Sumitomo Corporation engages in global business in a wide range of fields, and business environment changes such as climate change and efforts to mitigate it will present risks to our business in each field, but the diverse social needs related to the tackling of the problem of climate change will also present numerous business opportunities.

[Development of business opportunities related to climate change]

- In order to overcome the problem of climate change by stopping the global warming caused by rising concentrations of CO₂ and other greenhouse gases, it is essential to create carbon neutral, sustainable energy cycles by promoting the use of renewable energy, absorbing and reusing CO₂, and reducing energy usage across industry as a whole.

- Our Group makes predictions about long-term business environment changes in a wide range of fields, and in addition to our renewable energy generation business, together with numerous partner companies, we engage in multifaceted measures that contribute to the development of a carbon neutral society, such as practicing more efficient energy management, cutting industrial energy consumption, sustainable forest management that contributes to carbon capture and fixation, and intermittent innovation such as CCUS and CO₂-free hydrogen production.
Strategy: Climate Change-Related Risks and Opportunities

[Climate change-related risks and opportunities]

◆ With regard to the problem of climate change, various regulations may be introduced in the future to encourage carbon emissions reductions and decarbonization, and physical damage is expected to occur as a result of the intensification of climate change. In the long term, advances in international deliberations, revisions to the greenhouse gas reduction plans of individual countries, and changes in the technologies and markets of diverse industrial fields may bring about various changes in our Group’s business environment.

◆ Changes in the business environment related to climate change are expected to have relatively large financial impacts, such as those related to the introduction of climate change mitigation regulations, in the fields of power generation, energy-related business, automobiles, aviation, and ships. We have been continuously monitoring the impact of fuel regulations in these fields. Currently, the risks being produced by the negative impacts on individual business fields are not substantial, as indicated below. Our business is diversified in various fields and regions, and it is our understanding that there is little likelihood that risks in a specific area will have a substantial impact on companywide financial results.

Scenario Analysis

◆ We see climate change as a major issues faced by the entire world, and we identify businesses on which climate change will have a significant impact and perform scenario analysis based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate scenario selection

◆ From the perspective of objectively analyzing new business opportunities and business resilience in the event of major business environment changes, we perform quantitative scenario analysis of impact on our business performance in the years leading up to 2040(*) based on the following scenarios in the "World Energy Outlook 2019" issued by the International Energy Agency (IEA). Our forecast data for each sector also uses as reference data issued by international organizations and industry groups, such as the "Minerals for Climate Action" report published by the World Bank.

* Each scenario’s periodic profit changes/loss and asset value are indicated in one of three categories -- negative, neutral, and positive

- Stated Policies Scenario (STEPS): Publicly stated policy scenarios based on existing policies and policies to be introduced in the future, such as the nationally determined contributions (NDCs) of individual countries
- Sustainable Development Scenario (SDS): Sustainable growth scenarios that enable the achievement of SDGs, such as the 2°C target of the Paris Agreement, universal energy access, or the elimination of air pollution
Strategy: Climate Change-Related Risks and Opportunities

Identifying the businesses for which to perform scenario analysis

Our scenario analysis scope encompasses all of our business sectors which will be highly affected by business environment changes related to climate change mitigation, regardless of the scale of the business. This fiscal year, we have performed scenario analysis after confirming stranded asset risks, carbon pricing risks(*), and the like for the electric power, resource, transportation equipment, and material industry business sectors. In our analysis, we referred to the sectors designated by the TCFD, the EU's sustainable finance action plan, the analysis methodologies of major ESG evaluation bodies, and themes for which institutional investor initiatives such as the United Nations Principles for Responsible Investment (PRI) have identified engagement as being a high priority issue.

* Carbon pricing: Amounts levied based on carbon emissions, such as carbon taxes and emissions trading

Business sectors selected for scenario analysis

Electric power (coal and gas-fired power generation, renewable energy, etc.)
Resources (coal, gas, nickel, copper, iron ore, etc.)
Transportation equipment (internal combustion engine components)
Material industry (aluminum refining, steel manufacturing)

Scenario analysis results

We use the results of electric power, resource, transportation equipment, and material industry business sectors scenario analysis to forecast demand, assess business environments, and make predictions regarding the impact of company policies and measures predicated on these business environment assessments, competitiveness in our related business sectors, and contract terms, and the impact on our business performance in related business sectors. The results are indicated below. These demand forecasts and business environment assessments form our understanding of major scenarios set forth by IEA, etc., and include numerous latent risks and uncertainties.
### Electric power sector

**Power generation (coal and gas)**

<table>
<thead>
<tr>
<th>STEPS</th>
<th>SDS</th>
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<tbody>
<tr>
<td><strong>Business environment assessment</strong></td>
<td>The world's coal-fired power generation equipment capacity will remain roughly the same as now. The amount of gas-fired power generation, which is one of the lower carbon-emitting fossil fuels, will gradually increase. Carbon pricing (carbon tax, etc.): Carbon pricing as of 2040 will be roughly four times FY2018 levels.</td>
</tr>
</tbody>
</table>

**Our policies and measures**

Under the SDS, carbon pricing will grow roughly 25-fold, and for power generation business which involves high levels of carbon emissions, both coal-fired and gas-fired power generation, generally speaking, carbon-pricing risk will be commensurately higher, but we will perform the following risk hedging. Our policy is to shift the allocation of management resources from coal-fired thermal power to renewable energy and other power generation with low environmental impact. Many of our existing power generation business is based on long-term contracts with national governments in emerging and other countries where demand for electric power continues to increase, and many of our electric power sales agreement include clauses that hedge the risk of fluctuations in returns due to changes in legal systems such as CO2 emission regulations. And regarding their implementation, government guarantees from each country are obtained and overseas investment insurance of Nippon Export and Investment Insurance (NEXI) is granted. Thus, it is our belief that our stranded asset risk is low and growth strategies in the power generation business are highly resilient.

**Impact on our business performance**

Neutral (coal)/neutral (gas) | Neutral (coal)/neutral (gas)

### Renewable energy

**Renewable energy**

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<thead>
<tr>
<th>STEPS</th>
<th>SDS</th>
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<tbody>
<tr>
<td><strong>Business environment assessment</strong></td>
<td>Due to the falling cost of renewable energy generation, such as solar and wind power generation, measures around the world to support the introduction of renewable energy, and increased power demand, the use of renewable energy will become more widespread. By 2040, solar power generation is expected to increase roughly six-fold and wind power roughly three-fold.</td>
</tr>
</tbody>
</table>

**Our policies and measures**

In order to overcome the problem of climate change and create a carbon neutral society, the Group will carry out renewable energy generation business in a variety of formats, such as wind, solar, geothermal, hydraulic and biomass power generation. Also, one policy in the power generation business is to stably supply the energy essential for economic and industrial development in local communities and continuously shift management resources towards a power generation portfolio composed of renewable and other energy sources with low environmental impact, and we have set the following targets. 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% to 30%; gas 30% to 40%; and renewables 20% to 30%

**Impact on our business performance**

Positive | Positive
## Our Climate Change Initiatives

### Resources sector

#### Thermal coal and coking coal

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<th>STEPS</th>
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<tr>
<td><strong>Business environment assessment</strong></td>
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</table>
| • Thermal coal: Demand will stay roughly unchanged until 2040  
• Coking coal: Due to a partial shift to the use of electrical furnaces for iron and steel, demand is expected to decrease leading up to 2040. | • Thermal coal: Coal-fired power plants will be increasingly closed ahead of schedule, and demand for thermal coal will drop rapidly to roughly one third of current levels by 2040.  
• Coking coal: Although iron and steel demand will remain unchanged, demand is forecast to drop to roughly a half of current levels by 2040 due to the shift to the use of electrical furnaces and the commercialization of low-CO2 emission iron and steel refining methods. |

| **Our policies and measures** |  |
| (Thermal coal) Demand is forecast to fall in conjunction with the transition to a low-carbon society, but thermal coal interests account for a relatively small portion of our resource portfolio, the remaining production periods for the assets we possess are relatively short, and we have maintained a corresponding level of competitiveness, so we believe that even if long-term demand slumps, we can control risk and prevent this from having a significant impact on our management plans. Furthermore, with respect to thermal coal interests, we plan to limit our equity share coal production to our current levels, and to desist from new mine development projects.  
(Chelsea coal) Under the SDS, we forecast a decrease in demand for coking coal as the result of the use of electrical furnaces that use scrap and new iron and steel refining methods that produce less CO2. However, the iron and steel refining business, which is supported by strong iron and steel demand and which uses high efficiency blast furnaces using CCS and CCUS technologies, will remain solid for the time being, so we believe that our high quality coking coal interests will maintain their competitive advantage. We will continue to work to improve our competitiveness in the coking coal business. |

| **Impact on our business performance** |  |
| Neutral (thermal coal), neutral (coking coal) | Negative (thermal coal), neutral (coking coal) |

#### Natural gas and LNG

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<tr>
<td><strong>Business environment assessment</strong></td>
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<tr>
<td>Demand is forecast to continue to grow, especially in areas with ongoing economic growth, such as China, India, and the countries of Southeast Asia, and global demand is forecast to grow by 30%. Revenue expansion will be possible through the acquisition of new business interests.</td>
<td>As the shift to renewable energy continues, due in part to the effectiveness of gas-fired power as a regulated power supply, demand is forecast to grow slightly, but as decarbonization advances, demand will begin shrinking, and by 2040 is expected to have shrunk by roughly 10%.</td>
</tr>
</tbody>
</table>

| **Our policies and measures** |  |
| In the SDS, we forecast a decrease in demand of roughly 10%, but even through the transition to a low-carbon society, natural gas and LNG will continue to play important roles as a power generation fuel used as a substitute for coal, as a chemical raw material, and as a transportation fuel. Assuming carbon neutrality by 2050, in addition to enhancing the competitiveness of our existing business, we will prepare a supply system for markets, especially those in Asia where demand is expected to grow considerably. |  |

| **Impact on our business performance** |  |
| Positive | Neutral |
Our Climate Change Initiatives

Strategy: Climate Change-Related Risks and Opportunities <Scenario analysis>

◆ Metals and rare metals (nickel, copper, and iron ore)

<table>
<thead>
<tr>
<th>STEPS</th>
<th>SDS</th>
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<tbody>
<tr>
<td>Business environment assessment</td>
<td>The shift from vehicles with internal combustion engines to EVs, together with the shift from thermal power to renewable energy sources, is forecast to result in a significant increase in demand for nickel and copper. Iron and steel demand will remain solid, but electric furnaces, which emit little CO₂ and use scrap as a raw material, are expected to become more common, so the level of iron ore demand growth is expected to be gradual.</td>
</tr>
<tr>
<td>Our policies and measures</td>
<td>Nickel: In order to meet growing global demand, we are promoting business as a producer in the Republic of Madagascar, selling products to Japan, the West, and Asia, and aiming to further develop business. Copper: We are involved in the production and sales of copper concentrate and copper ingots, upstream elements in the copper bullion production value chain, through our investments in overseas copper mines. Through this, we are also contributing to the stable domestic procurement of copper concentrate. Iron ore: We are contributing to the stable supply of iron ore resources through mining operations in South Africa and Brazil.</td>
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<tr>
<td>Impact on our business performance</td>
<td>Positive</td>
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<td>Positive</td>
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</table>

Transportation equipment sector

◆ Internal combustion engine components(*)

<table>
<thead>
<tr>
<th>STEPS</th>
<th>SDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business environment assessment</td>
<td>For transportation equipment, environmental regulations are forecast to be tightened significantly, and structural changes such as shifting to the use of public transportation is predicted. Demand for internal combustion engine parts is expected to decline significantly due to major shifts from vehicles with internal combustion engines to EVs and zero emissions vehicles such as FCVs.</td>
</tr>
<tr>
<td>Our policies and measures</td>
<td>In the transportation equipment sector, the internal combustion engine-related component manufacturing business may be significantly affected in conjunction with the electrification of mobility. We manufacture automobile and aviation components, but internal combustion engine components make up a small share of our business, so we expect the transition risk led by advances in EVs to be limited. Our transportation related business does not involve manufacturing processes relating to automobile internal combustion engines, or ship or air transportation business directly subject to fuel regulations, but is primarily in the leasing, finance, and sales businesses, and therefore, at present climate change has not had a substantial impact. We believe that the effects of long-term changes in product demand in each market can be flexibly handled by reviewing our portfolio of leased assets and handled products.</td>
</tr>
<tr>
<td>Impact on our business performance</td>
<td>Neutral</td>
</tr>
<tr>
<td>Neutral</td>
<td>Neutral</td>
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</table>

* Scenario analysis for our transportation-related business was performed only for internal combustion engine components, which are predicted to be significantly affected by the transition to the use of EVs.
## Our Climate Change Initiatives

### Strategy: Climate Change-Related Risks and Opportunities <Scenario analysis>

<table>
<thead>
<tr>
<th>Material industry sector</th>
<th>STEPS</th>
<th>SDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business environment assessment</strong></td>
<td>Aluminum refining: Demand is expected to increase as the result of transportation equipment weights being reduced in response to energy saving demands. Iron and steel manufacturing(electric furnaces): There is potential for the commercialization of steel manufacturing methods that emit little CO₂. Electric furnaces will continue to maintain some level of demand.</td>
<td>Aluminum refining: Transportation equipment weights will need to be further reduced, so demand is expected to increase significantly. Iron and steel manufacturing(electric furnaces): The commercialization of iron and steel manufacturing methods that emit little CO₂ is expected to continue. Electric furnaces will continue to maintain some level of demand.</td>
</tr>
<tr>
<td><strong>Our policies and measures</strong></td>
<td>We handle a wide range of metal products, from iron and steel products such as steel material and steel pipes to non-ferrous metals such as aluminum and titanium. These metal products are used in a wide range of applications, such as transportation equipment, appliances, office automation equipment, oil country tubular goods, pipelines, and more. Our iron and steel manufacturing business in the Americas is performed using electric furnaces, which have relatively low CO₂ emissions, and our aluminum refining business in Southeast Asia is primarily powered by hydroelectric power, so future carbon pricing risk is limited, and we expect to be able to maintain our competitiveness over the medium and long term.</td>
<td></td>
</tr>
<tr>
<td><strong>Impact on our business performance</strong></td>
<td>Positive</td>
<td>Positive</td>
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</table>

* We perform quantitative scenario analysis of the impact of climate change on our business performance in the years leading to 2040.
Our Climate Change Initiatives

Risk Management

◆ Our Group's activities cover businesses across a broad range of fields and regions, and involve various social issues. We always attach great importance to these social issues, and in order to appropriately control the social and environmental impact of the entire Group's business activities, establish policies such as the Environmental Policy, Human Rights Policy, CSR Action Guidelines for Supply Chain Management, Anti-Corruption Policy, and Compliance Guiding Principles, and publicize and thoroughly enforce them within the Group.

◆ We evaluate social and environmental risk and confirm response measures as part of our deliberation processes when considering and implementing new business from a broad perspective. In particular, with regard to climate change, we confirm the following with regard to risks (and opportunities) related to business continuity being impeded by the inability to appropriately respond to changes in the business environment resulting from social and environmental problems such as climate change.

  • The impact of climate change such as the frequent occurrence of natural disasters and abnormal weather
  • The impact of the introduction of regulations
  • The impact of technology changes, etc.
  • The potential for the expansion of business or the improvement of business performance through advances in climate change mitigation and adaptation to climate change

◆ With regard to our existing business, as well, we regularly monitor the overall management status of these risks to each business, including social and environmental risks. In addition to managing risk related to individual businesses, we assess the status of companywide social and environmental risks and develop systems that enable these assessments to be used to make strategic management decisions.

◆ With regard to the handling of the risks of climate change, each business unit assesses the introduction of regulations and market changes for related business sectors and conducts business activities, and as a part of companywide portfolio management, the Corporate Sustainability Department summarizes the status of major risks to the Group, taking into consideration global efforts relating to climate change and regulatory trends. The results are periodically reported to the Management Council and the Board of Directors. If there are any unacceptable risks from the perspective of the portfolio as a whole, measures including reduction of exposure are investigated with organizations responsible for risk management.

Metrics and Targets

**Target 1: Carbon neutrality initiatives**

The Group's basic policies relating to climate change is indicated below.

◆ Aim to make the Sumitomo Corporation Group carbon neutral in 2050.
  Develop technologies and business models for creating a sustainable energy cycle by reducing CO2 emissions and achieving negative emissions 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.

Also, one policy in the power generation business is to stably supply the energy essential for economic and industrial development of local communities and continuously shift management resources towards a power generation portfolio composed of renewable and other energy sources with a low environmental impact, and we have set the following targets.

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% to 30%; gas 30% to 40%; and renewables 20% to 30%.

**Target 2: CO2 Emissions**

Sumitomo Corporation set the following target concerning electricity consumption taking into account of the results of the CO2 target set forth by the Paris Agreement. If this target is achieved by about FY2035, CO2 emissions over that period are expected to be down approximately 46% compared to FY2013.

Reduce electricity consumption per square meter by an average of at least 1% annually and at least 20% until FY2035 both from base year of FY2013.
Initiatives on Respect for Human Rights

Establishment of 'Sumitomo Corporation Group’s Human Rights Policy’
In May 2020, we established the “Sumitomo Corporation Group’s Human Rights Policy” that represents our commitment to respect human rights through human rights due diligence, stakeholder engagement, education and so on, in order to fulfill our corporate social responsibility and to grow sustainably with society.

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.
Initiatives on Respect for Human Rights

Business Description

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, 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.

Black Economic Empowerment Act in South Africa

Due to the history of apartheid in South Africa, there are policies that aim to reduce inequality in rights and opportunities for black people to participate in economic activities and to improve their social status. It is required to include at least a certain number of black companies in a business project and to give back part of the profits to the community. In South Africa, Dorper on-land wind power generation company in which we have an investment offers cooperation in improving the living environment of local residents and creating new jobs, in line with such policies. Specific efforts include repair of buildings of kindergartens, schools and hospitals located close to the power plant, provision of machinery to them, and support to restaurants operated by black women.

In these activities, we use local companies as much as possible. About 10% of the stocks of this company are owned by an NPO operated by local residents. It is planned to launch various projects that meet the demand from local residents with the dividends as a capital in the future.

Dialogue with Local Residents in Mining Projects

In promoting resource development projects, understanding of local areas is essential. In the development project of the Ambatovy nickel mine in Madagascar, we have taken the initiative in having dialogues with the government and local residents, in cooperation with the diplomatic corps and lending banks group since the start of the development. We use these dialogues to share our belief that “this project is extremely important to the future of Madagascar” and deepen mutual understanding of the significance of the project. In the Ambatovy project, we also promote the employment of people in Madagascar and improve their skills. In FY2018, 93% of all workers are Madagascar people, and we are systematically working on technology transfer and human resource development for them.

We have a complaint system to receive any kind of complaints, including human rights violations, in cooperation with local communities, in order to prevent accidents associated with the project and address them if they occur. Employees and external stakeholders are eligible to access this system. Project staff appropriately respond to complaints while protecting personal information. Since 2016, the Ambatovy project has joined the Voluntary Principles on Security and Human Rights (VPSHR) program in partnership with NGOs, the Madagascar government and other countries’ embassies.

Job creation (Central Purchasing Center)

An elementary school built within the project site
The Challenges of New Value Creation with a View to the Next 100 Years

Sumitomo Corporation Group seeks to be a global corporate group that generate new value by continuously anticipating future changes and makes broad contributions to society. Here, we present that challenges we are undertaking to create new value with a focus on the next 100 years.

Initiative (1)/Zero to One Challenge

Zero to One challenge is an internal entrepreneurial program launched in FY2018 that covers all Sumitomo Corporation Group employees worldwide and helps individuals who want to achieve something to carry out their ideas. In the initial year of the program, there were projects that achieved the formation of companies in new business fields where Sumitomo Corporation has not been active in the past. The images and aspirations of the program participants who have worked with such enthusiasm has given rise to widespread sharing of sentiments within the company and reformed employee awareness and has led to the transformation of existing business. The FY2020 program has started based on the concept of “creating something from nothing by doing what can be done now and what can be done only now.” We will continue to unceasingly tackle the challenge of new value creation through this program.

Comments from Challengers in FY2018

Norifumi Suzuki, CEO, 01Booster Inc.

Over the past 100 years, numerous 0→1 challenges have contributed to Sumitomo Corporation’s growth. Is 0→1 no longer needed, after tremendous growth has been achieved? The answer is no; the Sumitomo Corporation identity will not allow this. Through the 0→1 challenge, I will create business to support the next 100 years.

Taiki Narita, Media & Entertainment Business Dept.

“There is no guarantee of success even if challenges are undertaken, but growth can be promised.” We work hard every day based on this belief. Through the 0→1 challenge, we will experience the development of new paths through action and seek to create new value for the next 100 years.

Yusuke Kinoshita, Wood Resources Business Dept.

I will develop business that solves social problems in sports and culture from the view point of club activities and create new business fields. As a global company, we are tackling the challenges of changing Japanese society and the world.

Hiroshi Takagi, Digital Solution Business Dept. No.1

Coolly and accurately observe technology megatrends with an attitude of “starting now” and seize opportunities to change actions as of tomorrow. Demonstrate the passion that develops and work hard to achieve dreams. These are the keys to growth in the new era.

Dai Kawasaki, Digital Solution Business Dept. No.1

Zero to One challenge is a program for the employees of Sumitomo Corporation Group to overcome the frameworks of existing businesses and take on the challenges of creating business from what they want to achieve without being beholden to short-term profit. As a supporter, I can sense the high level of employee awareness concerning social contribution and that their loyalty is increasing as the company develops environments. I am confident that these initiatives will enhance the value of Sumitomo Corporation Group over the medium to long term.
The Challenges of New Value Creation with a View to the Next 100 Years

**Initiative (2)/MIRAI LAB PALETTE**

MIRAI LAB PALETTE is member-based open innovation lab established in April 2019 as part of the projects marking the 100th anniversary of Sumitomo Corporation's foundation. The concept is to function as a forum to encounter completely different types of people and cutting-edge technologies and provide mutual inspiration without being constrained by custom. It will also go beyond the boundaries of all organizations to create new value. The lab relocated to the Otemachi Building in January 2020 and commenced full-scale operations as an individualist space with permanent art installations. The lab offers a variety of programs ranging from frontier business to art that facilitate encounters with a variety of different people and mutual inspiration. In addition, development of a lab with a high level of diversity like that of a color palette is underway with various partners including HAX (see column to the right) and Tokyo University of the Arts, which collaborated on human resource development in the VUCA era and sustainable business development.

A major paradigm shift is currently underway globally as a result of the impact of COVID-19. Each of us can exhibit initiative and creativity, overcome all barriers, stay a step ahead in dealing with change, and create new value. We can make contributions to all stakeholders. This is the unchanging policy of MIRAI LAB PALETTE.

By tackling challenges every day while trying everything and embracing failure, we will continue our activities to make MIRAI LAB PALETTE into a sustainable ecosystem for the future.

**HAX Tokyo Accelerator Program**

Sumitomo Corporation, acting in collaboration with SOSV investments LLC (an American venture capital firm) and SCSK Corporation established HAX Tokyo, the Japanese version of HAX, the world’s largest accelerator program focused on hardware. HAX provides support for prototyping and mass production by hardware startups in Shenzhen, China and supports capital procurement in San Francisco, USA. HAX Tokyo, meanwhile, is a pre-program to find and support hardware startups in the seed stage in Japan so they can be sent to HAX Shenzhen. The selected startups will be taught the fundamentals of startup management, design thinking methods, and other information through HAX’s own workshops. At the same time. Outside experts from various companies and personnel from Sumitomo Corporation will be dispatched to the startups and various persons from inside and outside the companies will be incorporated to support trials and business development.

Through this program, Sumitomo Corporation seeks to expand the scope of creation with startups and will undertake a variety of programs to broadly invigorate Japan’s hardware industries.