

Corporate governance

Policy and Concept

Corporate Governance Principles

Sumitomo Corporation established the Sumitomo Corporation Corporate Governance Principles while keeping in mind that the backbone of our corporate ethics is in Sumitomo's Business Philosophy and Management Principles. The Sumitomo Corporation Corporate Governance Principles were established based on our view that the essence of corporate governance is "improving management efficiency" and "maintaining sound management", as well as "ensuring management transparency" to secure the first two. Following the Sumitomo Corporation Corporate Governance Principles, we are always seeking to establish the most appropriate managerial system for the Company and are continuously improving our corporate governance to realize management that serves the interests of shareholders and all other stakeholders.

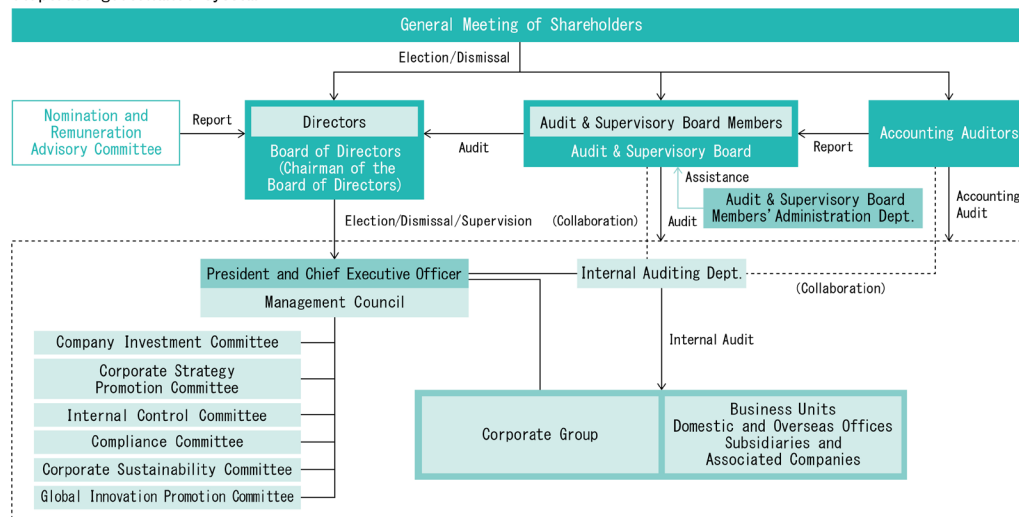
System

Corporate Governance System and Characteristics

We have developed an effective corporate governance system by implementing a range of measures. Having adopted an audit & supervisory board member system, we have secured the effective supervisory and monitoring function of management oversight by electing independent Outside Directors and Outside Audit & Supervisory Board Members and by establishing the Nomination and Remuneration Advisory Committee, comprised mainly of independent Outside Directors. We have also taken steps to make decision-making and execution of operations faster and more efficient by introducing an executive officer system and establishing the Management Council, among other measures.

We will continuously review our corporate governance system as needed in response to changes in global trends, the social environment, legal systems and other relevant issues in order to further improve and enhance the system.

Corporate governance system



[Sumitomo Corporation Corporate Governance Principles](#)



[Corporate Governance Report](#)

Corporate governance

System

Directors and the Board of Directors

Composition of the Board of Directors

The composition of the Board of Directors ensures diversity in experience, knowledge, expertise, gender, and so on. Persons with a sincere character, deep insight, and high-level skills as well as specialized business knowledge and a broad range of experience including managerial experience are selected as candidates for internal directors, and they are appointed without regard for gender, nationality, and other such characteristics. Candidates for outside directors must also have a sincere character, deep insight, and high-level skills as well as broad-ranging knowledge and experience from diverse perspectives and an established track record in their field, and they too are appointed without regard for gender, nationality, and so on. In addition, multiple independent outside directors with different experience and expertise are selected with the aim of reinforcing appropriate decision making and supervisory functions from a variety of perspectives by the Board of Directors. The Board currently comprises 11 members, of which five are independent outside directors (including two women).

In addition, Sumitomo Corporation established the Sumitomo Corporation Action Plan and, in agreement with the Japan Business Federation's goal of at least 30% female executives by 2030 announced in March 2021, we set a target of at least 30% female Directors and Audit & Supervisory Board Members by FY2030.

Independence of Outside Directors

Our five outside directors satisfy the standards on independence set by Tokyo Stock Exchange, Inc. (TSE), and other financial instruments exchanges on which the Company is listed, as well as our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members. Leveraging a different type of experience and expertise, each Outside Director contributes to our corporate governance by providing a variety of independent viewpoints.



[Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members](#) (Japanese language only)

Improvement of Deliberations and Enhancement of Monitoring Functions by the Board of Directors

We carefully select agenda items requiring discussion by the Board of Directors so that the Board can concentrate on the deliberation of important matters regarding the Companywide management such as the business policy and management plan. Each year, the Board of Directors holds an off-site session to discuss which issues should be given higher priority, and the results are reflected in the selection of agenda items for the coming year. In addition, the Board of Directors further enhances its monitoring functions regarding the execution of operation by the management by receiving reports on the status of progress, issues, and responses to those issues concerning division strategies in each Business Unit and by its deliberation focusing on those issues. Moreover, the Board of Directors regularly monitors its status of implementation of the Company's overall business by receiving activity reports concerning main committees, and portfolio reports on market change risks, country risks, and other intensive risks. Furthermore, the Board of Directors open-mindedly discusses various key management issues including ESG (environment, social, governance) at off-site sessions to enhance the deliberations at the Board meetings.

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System

Directors and the Board of Directors

Evaluation of the Effectiveness of the Board of Directors

To maintain and enhance the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members engage in analysis and evaluation of the Board's effectiveness through self-evaluation and other methods. This is followed by the disclosure of overviews of the results. In fiscal 2020, in order to boost initiatives to further enhance the effectiveness of the Board of Directors, we conducted interviews by a third party in addition to conducting a questionnaire survey (anonymous) as in fiscal 2019. The following is an overview of the Board of Directors' effectiveness evaluation and the results of such evaluation for Fiscal 2020, which was reported to and deliberated at the Board of Directors' meeting held on May 7, 2021.

1. Evaluation Methods

Those covered	All 11 Directors and 5 Audit & Supervisory Board Members
Implementation method	Questionnaire survey (anonymous) and interviews conducted during the period from November 2020 to December 2020. Note: Implemented by a third party (external consultant).
Evaluation Items	(i) Selection of items to be deliberated on by the Board of Directors (ii) Deliberations based on changes in the external environment and/or management environment (iii) Adequate provision of information in advance to members of the Board of Directors (iv) Consensus formation after adequate deliberation (v) Demonstration of roles of Outside Directors (vi) Demonstration of roles of the Chairperson (vii) Demonstration of roles of Directors (other than (v) and (vi)) (viii) General evaluation, etc.
Evaluation process	The results of analysis of the questionnaire survey and interview responses as evaluated by a third party (external consultant) were reported to and deliberated at the Board of Directors.

2. Evaluation Results Overview and correspondence

The overall evaluation and analysis by a third party concluded that the Board of Directors has generally been functioning effectively. On the whole, as stated below, a majority of opinions were positive.

- As a result of defining agenda items (agenda setting) based on the effectiveness evaluation from Fiscal 2019, adequate time was reserved for themes that require higher priority in deliberation.
- In regular reporting to the Board of Directors by business units, as a result of continuous improvements made thus far, deliberations centered not only on the financial performance of the units but on strategies, challenges and policies to address them, and points have been narrowed down.
- The Board of Directors were able to enter into deliberations immediately due to prior briefings for Outside Directors and Audit & Supervisory Board Members on the Board meeting's agenda items. The focus of deliberations has been narrowed down, and this leads to a more constructive discussion and effective proceedings. Also, at offsite meetings which are set up apart from the Board of Directors, free and active discussion on important and diverse management issues took place, supplementing the Board meetings efficiently.
- The Chairman of the Board of Directors leads the proceedings in a way that encourages attendees to speak while promoting adequate discussion in a fair and neutral manner. The Board meeting is managed to help produce active discussion.

Efforts have been made in Fiscal 2020 to make deliberations more adequate regarding progress review in mid-term management plan, business strategy and monitoring of addressing challenges in each business unit and human resources strategy, etc. Based on the evaluation results, in Fiscal 2021 as well, it was confirmed to address making deliberations further more adequate regarding important management strategy and policy and progress review in new mid-term management plan (including strategy for allotment of management resources and business portfolio and monitoring of efforts for sustainability management) to further improve the effectiveness of the Board of Directors.

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Directors and the Board of Directors

Establishment of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee, of which a majority of members are Outside Directors, and which is also chaired by an Outside Director, has been established as an advisory body to the Board of Directors. The Committee meets as necessary, and is in charge of reviewing (1) policies and procedures regarding appointment and dismissal of the President and Chief Executive Officer, (2) policies and procedures regarding appointment and dismissal of the Chairman of the Board of Directors, (3) nomination criteria for Directors and Audit & Supervisory Board Members, (4) appointment and dismissal of the President and Chief Executive Officer (including the nomination of a successor of the President and Chief Executive Officer), (5) nominations of candidates for Directors and Audit & Supervisory Board Members (including determination of Representative Directors and Executive Directors), (6) appointment of Management Council members, (7) the structures/levels of remuneration and bonuses for Directors and Executive officers and the limit of remuneration for Audit & Supervisory Board Members, and (8) the advisor system, and will submit the results thereof as recommendations to the Board of Directors. In FY2020, the Nomination and Remuneration Advisory Committee met 11 times to deliberate the abovementioned matters, and submitted the results thereof as recommendations to the Board of Directors.

Composition of the Nomination and Remuneration Advisory Committee

Total Members	Internal Directors	Outside Directors	Committee Chairman
5 persons	2 persons (President and Chief Executive Officer, Chairman of the Board of Directors)	3 persons	Outside Director

Management Council

The highest executive level decision-making body

The Management Council is the highest executive level decision-making body, with the aim of enabling decisions that take into account diverse opinions and multifaceted discussions in regard to specific key matters related to management, within the scope of the mandate conferred by the Board of Directors.

The Management Council, which meets in principle once a week, consists of the President and Chief Executive Officer, all chief officers of the Corporate Group, and the general manager of each of the business units. In addition, in regard to specific issues that are extremely important from a companywide perspective, the Company has established, as advisory bodies to the President and Chief Executive Officer and to the Management Council, committees such as the Company Investment Committee, the Corporate Strategy Promotion Committee, the Internal Control Committee, the Compliance Committee, and the Corporate Sustainability Committee.

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Audit & Supervisory Board Members and the Audit & Supervisory Board

Enhancement of auditing capabilities

The Audit & Supervisory Board comprises five members—two Inside Fulltime Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members (including one woman). The Inside Audit & Supervisory Board Members must have a sincere character, deep insight, and high-level skills as well as specialized business knowledge and a broad range of experience, and they are appointed without regard for gender, nationality, and other such characteristics. The Outside Audit & Supervisory Board Members must also have a sincere character, deep insight, and high-level skills as well as advanced specialized knowledge, particularly in fields such as law, accounting, or corporate management, and extensive experience, and they too are appointed without regard for gender, nationality, and so on. Among the Outside Audit & Supervisory Board Member, one is a legal expert (a former Chief Justice of the Osaka High Court), one is a certified public accountant with considerable knowledge of finance and accounting, and the other is a fulltime Audit & Supervisory Board Member of a listed company and has an experience in business management. All of the Outside Audit & Supervisory Board Members satisfy the criteria on independence set by the Tokyo Stock Exchange, etc. as well as the Standard for Independence established by Sumitomo Corporation.

Ensuring audit effectiveness

Each Audit & Supervisory Board Member attended important meetings such as the Board of Directors Meeting, received reports from Directors and employees, etc. regarding the execution of their duties, asked them for explanations as necessary, inspected important internal authorization documents and examined the status of operations and the financial status regarding the head office and important operating locations. As for subsidiaries, each Audit & Supervisory Board Member promoted communication and exchange of information with Directors and Audit & Supervisory Board Members, etc. of subsidiaries, and receives reports on the subsidiaries' business as necessary.

The Audit & Supervisory Board Members' Administration Department (four employees) was established as a specialized organization to support the work of the Audit & Supervisory Board Members. The Audit & Supervisory Board Members participate in personnel evaluations and transfers and so on regarding these employees to ensure their independence from the Board of Directors.

Collaboration between the Internal Auditing Department and accounting auditors

To ensure audit efficiency, Audit & Supervisory Board Members interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, Audit & Supervisory Board Members exchange information with and monitor the auditing activities of the accounting auditors through regular meetings. By attending audit review meetings and observing inventory audits by the accounting auditors, the Audit & Supervisory Board Members constantly work to improve audit efficiency and quality.

Training and information provision for Directors and Audit & Supervisory Board Members

Training and information provision for Directors and Audit & Supervisory Board Members

On taking office, Outside Directors and Outside Audit & Supervisory Board Members have the opportunity to receive a briefing on areas including the Sumitomo Corporation Group's Management Principles, management policy, business activities, finances, organization, medium-term management plan, and risk management system. To enable Directors and Audit & Supervisory Board Members to acquire the necessary knowledge and update it as appropriate, we additionally supply books and other materials and provide access to other resources including seminars and e-learning facilities, offering financial support to cover the necessary costs.

To deepen their understanding of Sumitomo's Business Philosophy, Outside Directors and Audit & Supervisory Board Members, in principle, visit a Sumitomo-related facility during the first fiscal year of their term of office. Outside Directors and Audit & Supervisory Board Members are also given the opportunity to make a group companies observation visit to a facility in Japan and to an overseas. Overseas group companies observation visits were suspended in FY2020 in light of the status of the spread of COVID-19.

Corporate governance

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The knowledge, experience and competencies, etc. (collectively, “Skills”) that the Board of Directors is required to possess, and Skills that Directors or Audit & Supervisory Board Members currently in office possess (as of April 2022)

This table identifies the types of knowledge, experience and competencies, etc. (individually, “Skill” and collectively, “Skills”) that the Board of Directors is required to possess for fulfilling its roles, and indicates which Directors or Audit & Supervisory Board Members currently in office possess such Skills. In our view, it is important that the Board of Directors as a whole possesses these Skills. As for the reasons for identifying these Skills, please refer to the explanations in the next page.

Directors

Name	Role	Term of office as Director	Knowledge, experience and competencies, etc. (Skills)						
			Corporate management	Investment /M&A	ICT/DX /Technology	ESG /Sustainability	Finance /Accounting	Legal/Risk management	HR management & development
Kuniharu Nakamura	Director, Chairman	12 years	●	●	—	●	●	●	●
Masayuki Hyodo	Representative Director, President and Chief Executive Officer	3 years	●	●	—	●	●	●	●
Toshikazu Nambu	Representative Director, Executive Vice President	2 years	●	●	●	—	●	—	●
Hideki Yamano	Director, Senior Managing Executive Officer	3 years	●	●	●	●	—	—	—
Takayuki Seishima	Representative Director, Senior Managing Executive Officer	2 years	●	—	—	—	●	●	●
Masaru Shiomi	Director, Managing Executive Officer	1 year	●	—	—	—	●	●	—
Nobuyoshi Ehara	Outside Director	5 years	●	●	—	●	●	—	—
Koji Ishida	Outside Director	4 years	●	●	—	—	●	●	—
Kimie Iwata	Outside Director	3 years	●	—	—	●	—	—	●
Hisashi Yamazaki	Outside Director	3 years	—	—	—	—	—	●	●
Akiko Ide	Outside Director	1 year	●	—	●	●	—	—	—

Corporate governance

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Audit & Supervisory Board Members

Name	Role	Term of office as Audit & Supervisory Board Member	Knowledge, experience and competencies, etc. (Skills)						
			Corporate management	Investment /M&A	ICT/DX /Technology	ESG /Sustainability	Finance /Accounting	Legal/Risk management	HR management & development
Michihiko Hosono	Senior Audit & Supervisory Board Member (Full-Time)	2 years	●	—	—	—	—	●	—
Toshiaki Murai	Audit & Supervisory Board Member (Full-Time)	3 years	●	●	—	●	—	—	—
Toshio Nagai	Outside Audit & Supervisory Board Member	5 years	—	—	—	—	—	●	—
Yoshitaka Kato	Outside Audit & Supervisory Board Member	5 years	●	—	—	—	●	—	—
Yukiko Nagashima	Outside Audit & Supervisory Board Member	Newly appointed	●	●	—	—	—	—	●

About the tables on this page and the previous page

1. This table identifies the types of knowledge, experience and competencies, etc. (individually, "Skill" and collectively, "Skills") that the Board of Directors is required to possess for fulfilling its roles, and indicates which Directors or Audit & Supervisory Board Members currently in office possess such Skills. In our view, it is important that the Board of Directors as a whole possesses these Skills.
2. Since the Company is active in investing in various businesses, we consider "Corporate management" and "Investment/M&A" Skills to be particularly important. Under the ongoing medium-term management plan, "SHIFT 2023," we are promoting a business portfolio shift with a focus on digital transformation (DX) and the enhancement of sustainability management as two sweeping trends. To this end, we emphasize the Skill of "ICT/DX/Technology" for business reforms or business development through exploiting digital solutions or the mixture of technology and innovation solutions and the Skill of "ESG/Sustainability" for sophisticating sustainability management. In addition, the Skills of "Finance/Accounting," "Legal/Risk management" and "HR management and development" are important for supporting or administering the Company's business operations.
3. The key Skills for Audit & Supervisory Board Members on which a high priority is placed are "Corporate management", "Finance/Accounting", and "Legal/Risk management", since they are responsible for auditing Directors' execution of duties.
4. Since the Company carries out business transactions and investments all over the world, respective Directors or Audit & Supervisory Board Members are required to have a keen insight from a global perspective. Knowledge concerning "governance" is another indispensable skill for serving as a Director or Audit & Supervisory Board Member. Because we mandate that all Directors and Audit & Supervisory Board Members possess such two skills, they are not included in seven Skills that are indicated in the table and selected in paragraph 2 above.
5. The Skills that the Board of Directors are required to possess may vary according to business strategies or changes in the external environment. This table will be updated from time to time based on the Board of Directors' review and discussions on required Skills.

Please refer to our website for the reasons for appointing and summary of expected roles of Outside Directors



[Directors and the Board of Directors](#)

Corporate governance

System

Initiatives to Ensure Transparency of Business Management

Establishment of Disclosure Policy

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

 [Corporate Disclosure Policy](#)

Measures Relating to the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. We also provide an English-language translation of the notice on our website in advance of sending a Notice of Convocation. We allow shareholders and investors sufficient time to thoroughly examine the propositions to be resolved at the Meeting by enabling them to exercise their voting rights via internet (including through the Electronic Voting Platform for institutional investors operated by Investor Communication Japan, Inc. [ICJ]). In addition, we stream the General Meeting of Shareholders live for shareholders on internet. The streaming video of the meeting is posted on our website for a certain period after the close of the meeting.

 [Ordinary General Meeting of Shareholders](#)

Status of Compliance with the Japan's Corporate Governance Code

As of June 2021, the Company complies all Principles of the Corporate Governance Code (Before revision in the same month). Please refer to Corporate Governance Report for details.

 [Corporate Governance Report](#)

Policy on Cross-shareholdings and Standards for Exercising Voting Rights

The Company takes various considerations into account when making decisions about whether to hold shares in other listed companies for purposes other than pure investment. It fully considers issues such as whether the shareholding will lead to medium- to long-term growth in profits as a result of maintaining and strengthening the business relationship with the investee company, from the perspective of investment profit, such as a comparison with the capital cost of individual stocks. Based on the above, the Company reviews the significance of its shareholdings and reports the results thereof to the Board of Directors each year. Where the significance of its shareholdings cannot be confirmed, the Company has a policy of reducing the holding. The Company also takes various considerations into account under the internal guidelines when making decisions in exercising its voting rights. Having fully considered issues from both quantitative and qualitative standpoints, it adequately exercises voting rights for each agenda based on whether exercising voting rights will lead to enhanced medium- to long-term corporate value at the investee company and the Company and to enhanced value for its own shareholders. When a company holding the Company's stock for purposes other than pure investment indicates to dispose of its holdings, the Company respects the decision in principle and ensures that their business relationship will not be influenced. In FY2020, under a crisis response mode, sale of shares in crossholdings companies was actively implemented companywide as a means of generating cash through a reduction of assets to more strictly manage companywide cash flows.

Benefit Pension Plans

The Company has adopted a defined benefit corporate pension plan (contract type). The Company deploys personnel with financial market and investment experience as investment managers and monitors the operations of pension assets. When selecting an external asset manager, the Company makes appropriate checks on its investment performance and management structure including governance and continues to periodically monitor these during the investment management operations. Furthermore, the Pension Management Committee, which is chaired by the Chief Administration Officer and composed of managers in charge of human resources, finance and accounting organizations, verifies the investment performance and the financial position of pension assets, makes reports to the Management Council and also discloses them to the pension holders.

Corporate governance

System

Executive Remuneration

Executive remuneration plan (● indicates the persons eligible for each type of remuneration, etc.)

Type of remuneration, etc.		Eligibility			
		Executive Directors / Executive Officers (*1)	Chairman of the Board of Directors (*2)	Outside Directors (*3)	Audit & Supervisory Board Members (*4)
Fixed	Monthly Remuneration	●	●	●	●
Variable	Performance-Linked Bonus	●	—	—	—
	Restricted Performance Share Unit-based Remuneration	●	●	—	—

(*1) The remuneration of Executive Directors and Executive Officers consists of “monthly remuneration,” “performance-linked bonus”, and “Restricted Performance Share Unit-based remuneration.”

(*2) The remuneration of the Chairman of the Board of Directors, whose main role is management supervision as stipulated in the “Sumitomo Corporation Corporate Governance Principles,” consists of “Restricted Performance Share Unit-based remuneration,” which contribute to improving shareholder value, in addition to “monthly remuneration.”

(*3) The remuneration of Outside Directors, who are in a position to supervise management with a high degree of objectivity and independence, consists solely of fixed remuneration (“monthly remuneration”) and is provided on a monthly basis.

(*4) The remuneration of Audit & Supervisory Board Members, who are in a position to audit and supervise management with a high degree of objectivity and independence, consists solely of fixed remuneration (“monthly remuneration”) and is provided on a monthly basis. The remuneration of each Audit & Supervisory Board Member is decided through discussions between the Members within the maximum amount approved by shareholder resolutions.

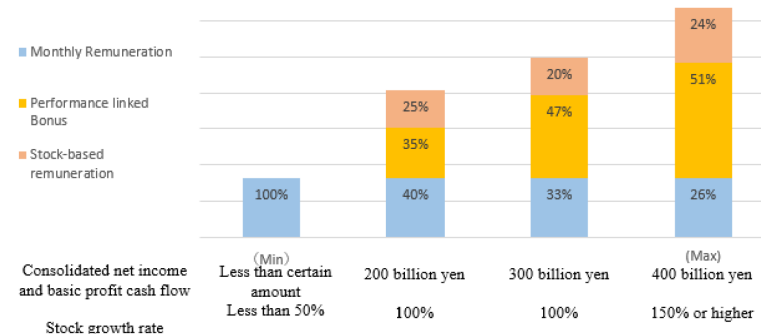
Remuneration standards and remuneration composition ratios of Executive Directors and Executive Officers

- The Company has established appropriate remuneration standards and remuneration composition ratios based on its business environment, management strategy and human resources strategy, with reference to objective remuneration market research data, etc. provided by external specialized agencies such as the Willis Towers Watson “Executive Compensation Database.”
- The remuneration composition ratio for Executive Directors is set so that when consolidated net income and basic profit cash flow are 200 billion yen and the stock growth rate³ reaches 100%, monthly remuneration, performance-linked bonus and stock-based remuneration are as follows.

CEO: 40: 35: 25

Other Executive Directors: 47.5: 32.5: 20

Potential scenarios of CEO¹ remuneration corresponding to various given levels of business performance are illustrated below.



**Stock growth rate”=

{ (Average price of Company's common shares in the month of termination of Evaluation Period + Total amount of dividends during Evaluation Period) ÷ (Average price of Company's common shares in the month of commencement of Evaluation Period) }
÷ { (Average of TOPIX in the month of termination of Evaluation Period) ÷ (Average of TOPIX in the month of commencement of Evaluation period) }



[Remuneration System for Executive](#)

Internal control

Policy and Concept

In order to realize sustainable growth and development for the Sumitomo Corporation Group by enhancing the operational quality of each of the Group companies, we stipulate basic regulations for internal control, develop and conduct appropriate internal control, and access the effectiveness and take action to improve it.

To rationally ensure compliance with laws and regulations throughout the entire Group in relation to business activities, safeguarding assets against loss, effectiveness and efficiency of operations, and reliability of financial reporting, initiatives are being taken to improve group governance.

System

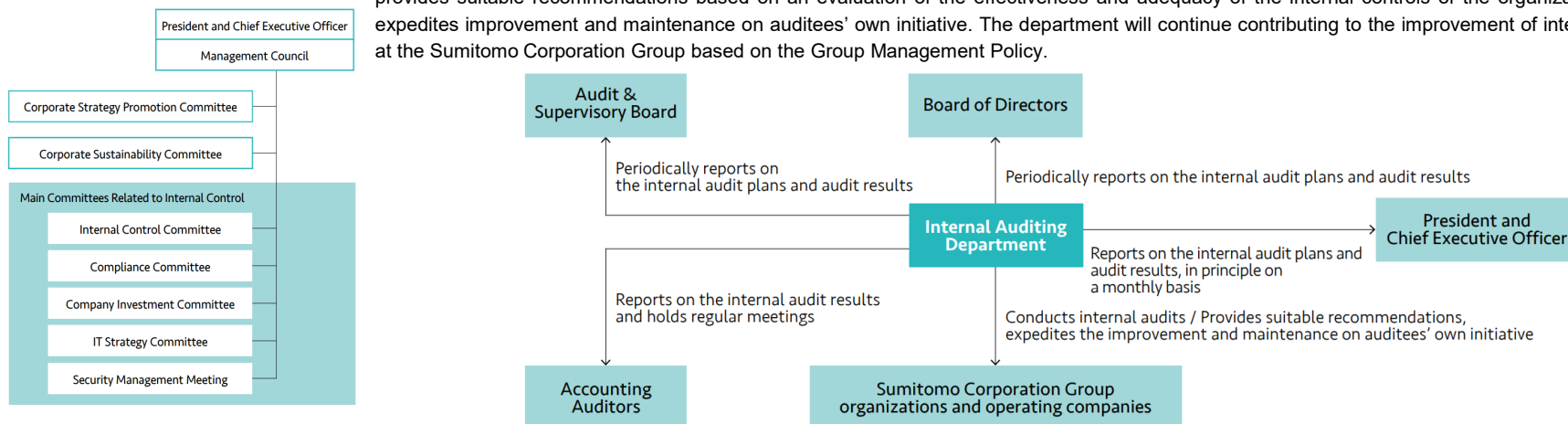
Establishment of Group Management Policy

Our approach to group management is to respect Jiritsu(*) management of each group company, to contribute to important decision-making at Board and other meetings through active dialogue based on relationships of trust as a shareholder, and to create new value through collaboration among group companies including Sumitomo Corporation. For the purpose of sharing and implementing this approach within the group, we established the Group Management Policy (GMP) and have set Jiritsu, dialogue, and collaboration as the three principles of group management. In addition, we aim to achieve sustainable growth of the Company and each group company and to maximize the corporate value of the entire Sumitomo Corporation Group by sharing and putting into practice the values set out in the Sumitomo Corporation Group's Corporate Mission Statement and GMP groupwide.

(*) Jiritsu is the Japanese term. In GMP, we define it to mean "following the rules necessary for the management of a Sumitomo Corporation Group company, such as the Sumitomo Corporation Group's management principles, strategies, and policies, to discipline oneself, to think, make decisions, act for oneself in order to achieve goals, and to be accountable to stakeholders."

Conducting internal audits on a regular basis

The Internal Auditing Department, which reports directly to the President and Chief Executive Officer, is an independent organization that monitors the operations of the Group, and audits organizations and operating companies of the Group. As well as reporting the outcome of internal audits directly to the President and Chief Executive Officer, in principle on a monthly basis, periodic reports are also made to the Board of Directors and the Audit & Supervisory Board. The department conducts audits periodically on all aspects of internal control, comprising asset and risk management, compliance and business operations. Also, by comprehensively examining and identifying the risks inherent in the organization being audited, it provides suitable recommendations based on an evaluation of the effectiveness and adequacy of the internal controls of the organization, thus it expedites improvement and maintenance on auditees' own initiative. The department will continue contributing to the improvement of internal control at the Sumitomo Corporation Group based on the Group Management Policy.



Compliance

Policy and Concept

Basic Compliance Policy

The basis for the Sumitomo Corporation Group's compliance is to win the trust of society by practicing the Activity Guideline that states “to comply with laws and regulations while maintaining the highest ethical standards.”

Accordingly, we follow our principles of “Giving First Priority to Compliance,” which means compliance takes priority over all activities of the Group and that we must never violate compliance as a result of giving priority to the pursuit of profit, and “Reporting Compliance Issues Immediately” or “Immediate Report,” which means, in the event of a compliance problem, employees must report the situation without delay to their line manager or to the relevant department of the Corporate Group.

Sumitomo Corporation Group Compliance Policy

The Sumitomo Corporation Group Compliance Policy was developed in March 2019 based on the existing Compliance Guiding Principles to clarify and adopt the basic policy above throughout the group. Educational programs, such as seminars and e-learning, are being provided on a continuing basis with the aim of spreading and ensuring the adoption of the policy throughout the group. In addition, we have developed the compliance manual. We will periodically review this manual for its effectiveness and relevance, and revise its content as necessary.

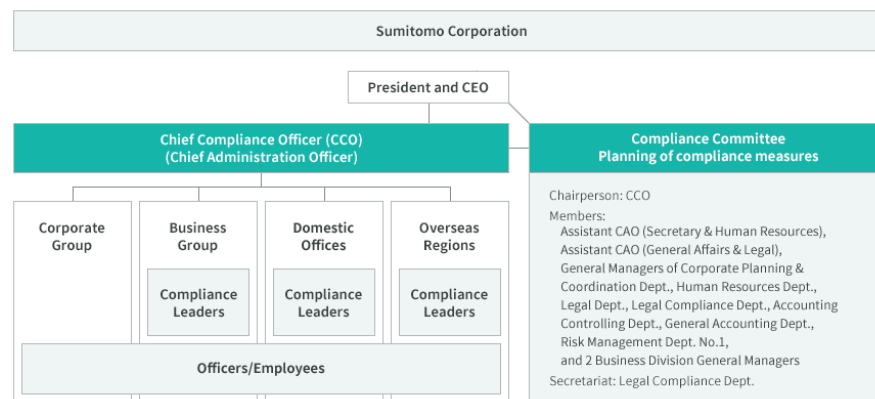
 [Sumitomo Corporation Group Compliance Policy](#)

System

Compliance Management System

Aiming for more agile responses to compliance issues which arise in the Group, Sumitomo Corporation appoints a Chief Compliance Officer (CCO), who has ultimate responsibility for compliance. Further, the Compliance Committee, which plans compliance measures, includes the general managers not only of the Corporate Group but also of the business divisions, enabling it to examine such measures in a multifaceted way that reflects our actual business operations. Our Group will continuously aim to establish and improve the internal systems that realize our principle of “Giving First Priority to Compliance.”

Compliance Management System

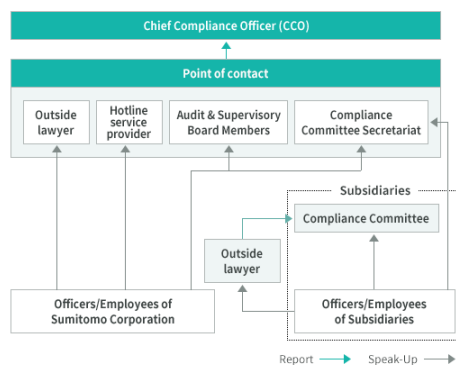


Compliance

System

Continuous Improvement of the Speak-Up System

Our internal rules stipulate that any issues or potential issues in relation to compliance must be reported immediately to their line manager or to the relevant department of the Corporate Group (Immediate Report). Such issues include not only the violation of antitrust/competition laws or anti-bribery/corruption laws but also workplace misconduct, falsification of accounts, or harassment. If reporting through the usual reporting line is difficult for some reason, we maintain a “Speak-Up System” available to officers and employees to report the issue to the Chief Compliance Officer through an internal or external hotline. Under the System, we provide option to communicate anonymously, and the fact and details of the report are maintained in the strictest confidence, and it is ensured that the whistle-blower is not subject to disadvantageous treatment for making the report. Efforts to encourage the use of the System include seminars for officers and employees as well as internal notice and internal Q&A support, which are designed to spread the information on the System throughout the company. Additionally, “Speak-Up Cards” with an overview of the System as well as the contact details for the hotline are distributed to all officers and employees, and posters are put up on all floors of our office to promote the use of the System.



Structure of the Speak-Up System

Launch of the SC Global Speak-Up System

The group-based Speak-Up system, which enables officers and employees of group companies both in and outside Japan to report compliance-related issues, has also been developed and launched.

Activities

Appropriate Responses to Compliance Violations and Preventive Measures

In case of a compliance problem, the Company, primarily through the Legal Dept. and Legal Compliance Dept. and in cooperation with relevant departments in and outside of Japan, promptly takes steps to establish the facts and clarify the causes of the incident, including the appointment of external specialists when necessary. Based on the outcome, we take corrective measures, disciplinary action, and preventive measures. The Compliance Committee Secretariat keeps records of the details and number of cases occurring in the Group, and other information such as measures taken to prevent recurrence. These are evaluated and used to plan future compliance measures. The results are deliberated at meetings of the Compliance Committee, and reports are made periodically to the Management Council and the Board of Directors. Through this process of repeatedly improving and enhancing such measures, we strive to further encourage thorough compliance throughout the Group.

Continuous Education Program Initiatives through Compliance Training, etc.

The Compliance Manual, which explains particularly important issues, such as anti-bribery/corruption, compliance with laws concerning antitrust and fair competition and security trade control, is communicated to all officers and employees of Sumitomo Corporation.

Both in Japan and overseas, we implement various education programs in order to further understand and disseminate the “Sumitomo Corporation Group Compliance Policy” and the Compliance Manual for each class of employee, such as newcomers, newly appointed general managers, and newly appointed corporate officers, as well as provide e-learning programs on the subject matter of the situation at the time for all employees (including seconded employees and those who working overseas). We regularly confirm the employees’ understanding of Group’s Activity Guidelines, which is “to comply with laws and regulations while maintaining the highest ethical standards” by obtaining an annual written pledge from all employees to ensure compliance. In addition to these regular activities, we hold seminars and training sessions on individual topics such as anti-bribery/corruption, compliance with the subcontract act and antitrust laws, security trade control, prevention of insider trading, and elimination of harassment on an ongoing basis as required. Besides, compliance training and detailed awareness-raising activities are conducted in each business unit and domestic/overseas offices under the supervision of compliance leaders according to the characteristics of each business unit and region. We also implemented a variety of support measures to reinforce compliance systems at Group companies including communication of e-learning content on Sumitomo Corporation Group Compliance Policy to Group companies.

Compliance

Activities

Anti-Bribery / Corruption Initiatives

Based on the principle of “Giving First Priority to Compliance” and as stipulated in the Sumitomo Corporation Group Compliance Policy, the Group implements strict measures to prevent all forms of corruption. Specifically, we have established the Rules for Prevention of Bribery of Public Officials, which regulate the provision of entertainment, gifts, invitations, and donations to domestic and foreign public officials as well as the selection of service providers (such as agents, consultants or other business intermediaries), and conduct required internal review. In addition, taking into account revisions to the laws and regulations of each country, and advice from various external specialists, we continuously review our internal rules and guidelines. Further, we extend these rules and guidelines to overseas offices and Group companies and encourage them to establish and implement a system that takes into account the bribery risk level of each company, and we also offer ongoing employee education and work constantly to prevent bribery and corruption.

In 2017, we announced the Sumitomo Corporation Group Anti-Corruption Policy, which summarizes the Group's principles and policies in this regard. This Policy includes the following statement. “The Sumitomo Corporation Group will not commit bribery or conduct any activity raising the suspicion of bribing Japanese government or other public officials; and will as a principle prohibit its officers and employees from providing such officials with entertainment, gifts, or the equivalent. It will not make any offer, payment, promise to pay, or authorize the payment of any money or anything of value to any foreign government or other public official, for the purpose of influencing any act or decision of such official in order to assist it in obtaining or retaining business.” This statement declares the Group's principles in relation to preventing bribery. Furthermore, through this Policy we explain our anti-bribery system and our initiatives for the prevention of bribery to our business partners including service providers, and request their understanding and cooperation.

Measures for Ensuring Compliance with Laws Concerning Antitrust and Fair Competition

We stipulate fair competition in the Sumitomo Corporation Group Compliance Policy and our policy for compliance with laws concerning antitrust in the Compliance Manual. We have also published a separate manual concerning antitrust/competition laws for our officers and employees that stipulates key considerations in daily dealings. Additionally, we endeavor to ensure that antitrust/competition laws are observed by measures such as regularly holding internal training.

Security Trade Control and Logistics Compliance

As an integrated trading company, Sumitomo Corporation regularly implements various measures to ensure that we comply with treaties and international frameworks related to international trade, as well as Japanese laws and regulations related to trading activities. Our group companies do likewise. We implement various measures related to security trade control to prevent weapons or products and technology for civilian use that could be converted to military use from falling into the hands of states or non-state organizations (terrorists) which may develop weapons of mass destruction. We also provide internal rules, manuals, and guidelines, hold training sessions, and instruct and monitor as needed to ensure compliance with regulations related to tariffs and customs as well as those related to public order and safety.

Prevention of Insider Trading

To prevent violations of insider trading regulations related to our business activities as well as personal dealings by officers and employees, our company has established “Rules for Prevention of Insider Trading” as well as internal checking systems from various perspectives. To ensure compliance with insider trading regulations as well as internal rules, we also continuously provide internal training courses and other activities to raise awareness. In 2021, we held an internal training program for officers and employees of our company to remind the importance of appropriately managing insider information at each organization.

Social and environmental risk management

Basic Principles on Social and Environmental Risk Management

The Sumitomo Corporation Group operates businesses dealing in different products and business models in various regions of the world and its 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 each business of the Group, and, by monitoring its entire supply chain, 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.

As the basis for these initiatives, we have established Environmental Policy, Human Rights Policy and CSR Action Guidelines for Supply Chain Management to clarify our approach to social and environmental issues in the Group's business operation.

Because the impact of each business on society and the environment and the nature of the risks requiring management focus differ depending on the products dealt with, the business type and the region where it operates, risk management needs to be adapted to the specific character of the business.

Specifically, 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.

Variety of sources leading to social and environmental risks

- Climate change • Biodiversity • Pollution • Resource depletion
- Local residents' human rights • Employees' human rights (Health and safety, Forced labor, Child labor, Discrimination)

Companywide policies

- Environmental Policy
- Human Rights Policy
- CSR Action Guidelines for Supply Chain Management

Risk management in line with business attributes and conditions

- Recognition of risks faced
- Communication with relevant stakeholders
- Ascertainment of facts
- Response based on legal compliance and alignment with international standards

Business units

Appropriate risk management

Corporate group

Support in specialized areas

External consultants

Provision of expertise

Social and environmental risk management

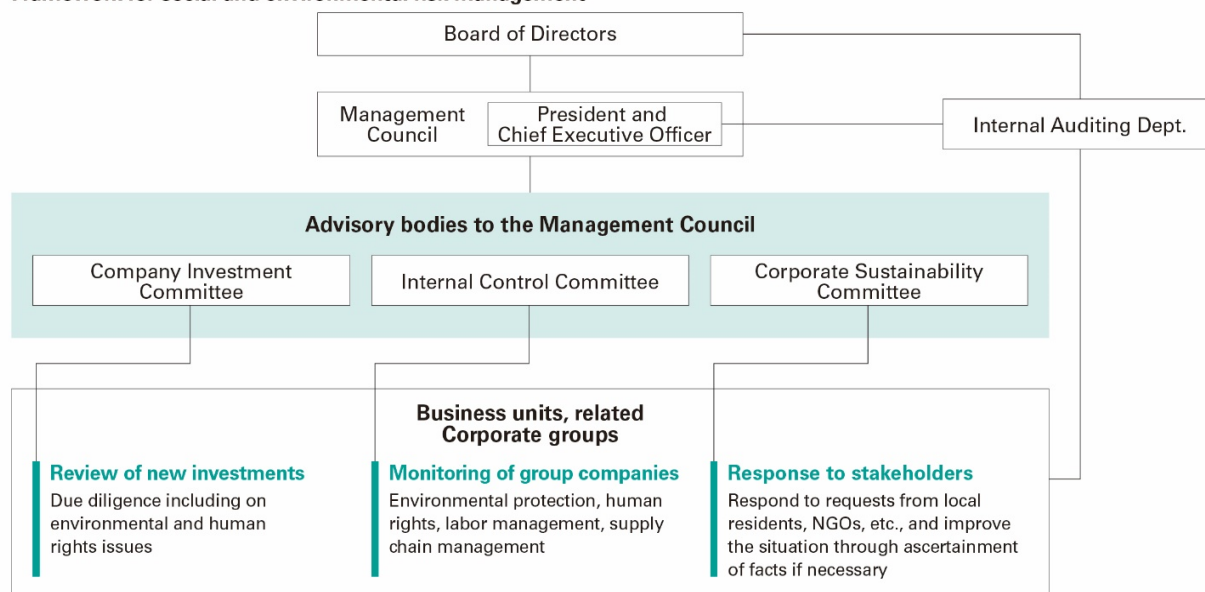
Framework for Social and Environmental Risk Management

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

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. In April 2020, in order to enhance the effectiveness of risk management for each business, taking into account the nature of the business and the characteristics of the region where it operates, we established a system that considers social and environmental impacts when making decision on a new investment, by utilizing an assessment sheet for social and environmental risks and by having the Corporate Sustainability Department, a specialized organization for social and environmental issues, participate in deliberations according to the risk. After the investment, we confirm the status of social and environmental risk management through processes such as periodical monitoring by dialogue with the group companies and internal audits, and if any issues arise, we work for improvements according to the characteristics of the business.

When issues are pointed out by local residents, nongovernmental 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 through dialogue and discussion with them. 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 and reported to the Management Council and the Board of Directors through the related committees. Under the oversight of the Board of Directors, we work to address social and environmental risks and strengthen our risk management system.

Framework for social and environmental risk management



Information security

Policy and Concept

The Company acknowledges the importance of ensuring information security, and maintains appropriate measures including, but not limited to, the establishment and maintenance of relevant rules, primarily through IT Strategy Committee, which is chaired by the Chief Information Officer (CIO). In October 2017, a new Information Security Policy was established.

Information Security Policy

1. Recognition of Information Security

Sumitomo Corporation acknowledges the importance of ensuring information security, and wishes to further enhance the company's trustworthiness in its business operations. Therefore, Sumitomo Corporation shall implement appropriate measures including, but not limited to, the establishment and maintenance of relevant rules and guidelines so as to responsibly manage information assets on a consolidated basis globally and shall review them regularly.

2. Compliance

Sumitomo Corporation shall comply with any applicable local, regional, national and international laws and regulations in relation to information security.

3. Management of Information Assets

Sumitomo Corporation shall preserve confidentiality, integrity and availability through responsibly managing all information assets including personal data, and shall take all reasonable precautions in order to prevent unapproved disclosure, loss or impairment of such data.

4. Response to Information Security Incidents

Whilst making the utmost endeavor to prevent information security incidents from occurring, in the unlikely event such an incident should occur, Sumitomo Corporation shall respond promptly to the incident and implement whatever preventive measures are necessary to avoid recurrence.

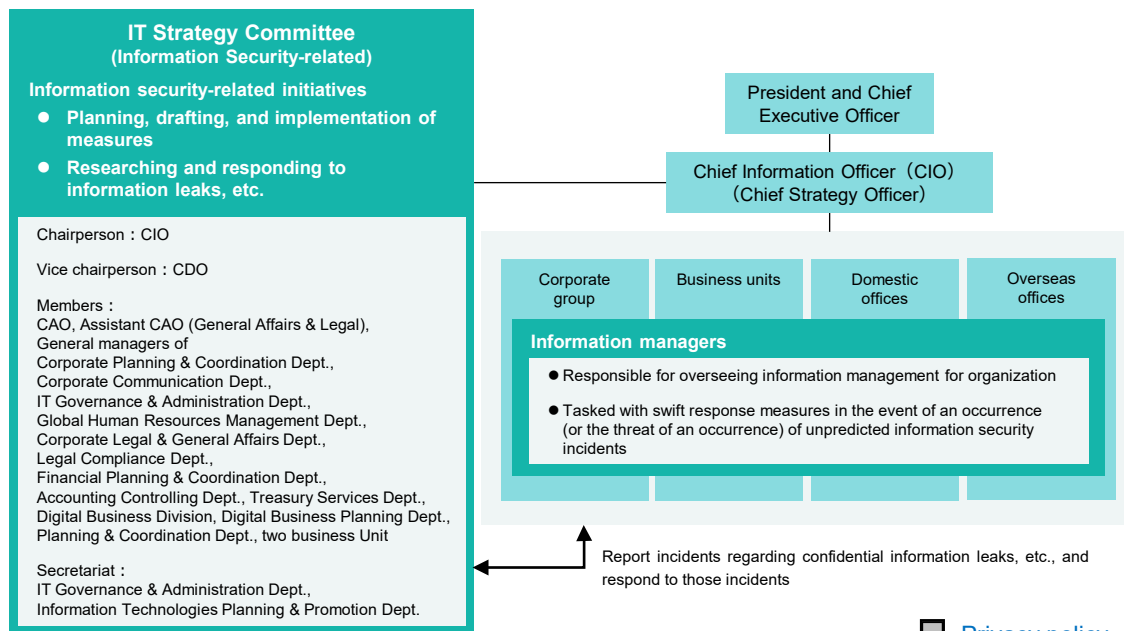
5. Awareness Education of Information Security

Sumitomo Corporation shall regularly promote and maintain the provision of information security education including, but not limited to, further heightening the awareness of the importance of responsibly managing information assets.

System

The information managers in each organization categorize information assets based on their importance, give instructions for procedures and methods in order to handle these assets adequately, and work to ensure information security, efficient information-related administrative procedures, and information sharing. For personal information, in addition to establishing a Privacy Policy to protect this as appropriate, we have put in place relevant rules and organizational structures.

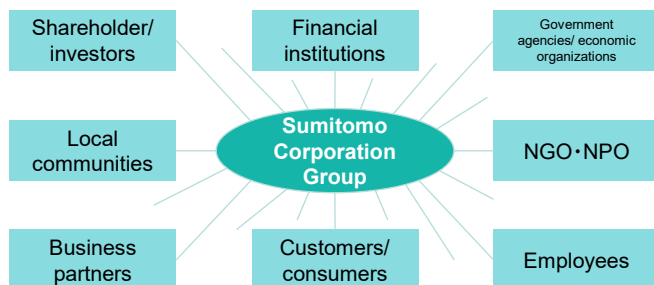
We also work on initiatives to minimize risk related to unexpected situations involving information security, such as external attacks aimed at theft or destruction of corporate information. As well as using system-based safeguards, we conduct ongoing training and drills for employees while establishing and monitoring systems at major subsidiaries and other group entities. The Company also coordinates with specialized third-party organizations to stay up-to-date on relevant information and to enable swift and appropriate responses.



Stakeholder engagement

Relationships with Stakeholders

The Sumitomo Corporation Group places importance on dialogue with various stakeholders around us. To build a relationship of trust with each stakeholder, we proactively provide information on our activities and ensure continuous communication with them. Through these efforts, the Group keeps informed of stakeholders' expectations and concerns, based on which we will promote our sustainability and improve our long-term value.



Stakeholders	Major means of dialogue
Stakeholders/investors Financial institutions	General meeting of shareholders, Investor meeting for annual results, Investor Day, integrated report, annual securities report, business report for shareholders, website, reporting to credit rating agencies, etc.
Government agencies/economic organizations	Communication with government agencies and international organizations in Japan and abroad, participation in discussion meetings and round-table conferences with government offices, activities through business and industrial associations, etc.
Local communities	Dialogue with local residents in business activities and support for communities, social contribution activities, etc.
Business partners Customers/consumers	Integrated report, website, advertisements, customer information office, supply chain survey, etc.
NGOs/NPOs	Cooperation and communication with NGOs and NPOs in business activities, cooperation in social contribution activities, responses to surveys, etc.
Employees	Internal magazine, Intranet, training sessions and seminars, labor/management round-table meeting, employee awareness survey, the speak-up system, etc.

IR / SR Activities

(IR: Investor Relations SR: Shareholder Relations)

We facilitate direct communication with shareholders and other investors, in addition to enhancing disclosure on our website. During the COVID-19 pandemic, which started in 2020, we have also been utilizing online tools to maintain dialogue with our shareholders and investors. An executive officer with responsibility for dialogue with shareholders and other investors exercises overall control of and coordinates such IR initiatives shown below. Also, related in-house departments contribute to IR initiatives by distributing information and collecting feedback from shareholders and other investors. Going forward, the Company will continue to increase the transparency of its management, implementing fair disclosure at all times, integrating financial and nonfinancial information, and strengthening relationships of trust with shareholders and investors by displaying initiatives to increase the corporate value of the Sumitomo Corporation Group over the medium- to long-term.

FY2020 IR/SR Activities

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
		Announcement of annual results		Ordinary General Meeting of Shareholders	Announcement of 1st quarter results		Publication of the integrated report	Announcement of semi-annual results		Announcement of 3rd quarter results		
For individual investors						Meetings for individual investors			Meetings for individual investors		Meetings for individual investors	Meetings for individual investors
For analysts and institutional investors			ESG small meeting		Overseas IR roadshow			Overseas IR roadshow				Overseas IR roadshow

Notes: 1. IR events in Japan and SR talks in Japan and overseas are held throughout the year.
2. Meetings for individual investors are all held online.

Number of individual meetings with institutional investors in FY2020

Japan	Overseas			
	Europe	Asia & Oceania	The Americas	Total
100	30	41	12	83

Meeting for individual investors in FY2020

Number of Meetings (held online)	Number of Participants
4 times	3,804