Sustainability Management at the Sumitomo Corporation Group

Some solutions to social issues can only be driven by an integrated trading company — Sustainability management at Sumitomo Corporation progresses to the next stage

The history of the Sumitomo Group, in which the Sumitomo Corporation Group has its roots, began over 400 years ago. Its core business in those days was copper refining, and it later expanded into copper mining with the opening of the Besshi Copper Mines, which provided the foundation for the Sumitomo Group’s development. While the Besshi Copper Mines played a leading role in Japan’s industrial development, the rapid modernization led to deforestation while smoke pollution from the smelting operations devastated forests and damaged crops in the community. Sumitomo’s leadership of the time responded by relocating the smelting operation to an uninhabited island off the coast and hired experts to replant the forests around the mines. Our predecessors made the decisions to prioritize the sustainability of the surrounding natural environment and local communities over short-term profit. This commitment lives on in the Group of today as expressed in the founder’s credo: “Benefit for self and others, private and public interests are one and the same.”

Today, leading a Group of more than 900 companies in 81 countries and regions worldwide, Sumitomo Corporation conducts business activities with a wide range of stakeholders including customers, local communities, suppliers, business partners, and employees. Backed by a workforce united in the idea that our business operations should serve the public interest, we believe that the Group’s mission is to contribute to the sustainable development of society while working together with stakeholders around the world to protect the global environment.

Sustainability management at the Sumitomo Corporation Group—Founded on Sumitomo’s Business Philosophy

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Principles, we identified Six Material Issues for the Group to address as priority areas. These Six Material Issues were arrived at by formulating four activity headings to indicate how the Group’s individual businesses can contribute to society and by combining these with two management themes. The Group has placed the material issues at the core of its management activity and monitors whether its business strategy and individual businesses are aligned with them. In this way, our management activity maintains a constant awareness of our duty to make social contributions through our business activities.

However, as climate change and other social issues grow in seriousness, presenting a major threat to the sustainability of society, business enterprises need to make a more active contribution to their resolution. In response, the Group has launched an initiative to further enhance sustainability management for sustainable growth with society. As well as clearly defining our role in helping to resolve social issues, this represents a strengthening of our commitment to realizing a sustainable society.

Identifying our role in realizing a sustainable society with stronger commitment

Climate change, loss of biodiversity, and human rights issues are some of the challenges facing modern society that stand in the way of sustainability. The Paris Agreement and the SDGs and Business and Human Rights Guiding Principles are among a range of global goals and guidelines that point the way forward to a society where such issues have been overcome. Business enterprises and a wide range of other organizations are working to make these a reality.

In 2017, with the aim of achieving sustainable growth with society in the spirit of Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Management Principles, we identified Six Material Issues for the Group to address as priority areas. These Six Material Issues were arrived at by formulating four activity headings to indicate how the Group’s individual businesses can contribute to society and by combining these with two management themes. The Group has placed the material issues at the core of its management activity and monitors whether its business strategy and individual businesses are aligned with them. In this way, our management activity maintains a constant awareness of our duty to make social contributions through our business activities.

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Six key social issues and associated long-term goals to guide our business activities

As part of our enhancement of sustainability management, the Sumitomo Corporation Group has identified six key social issues to target through Group initiatives, with a long-term goal set for each issue: “Mitigation of climate change,” “Circular economy,” “Respect for human rights,” “Development of local society and economy,” “Improvement of living standard,” and “Quality education.” These issues and goals indicate the areas where the Group can use its strengths in human resources, business expertise, global networks, and business relationships to fulfill its social role and will serve as indicators guiding the Group’s business activities as a whole. In principle, each of the issues will be addressed through business activities, but in the case of “Quality education,” our initiatives will be rolled out through social contribution activities and various human resource training activities.

To meet the long-term goals going forward, we will set concrete medium-term goals including quantitative targets and establish KPIs to evaluate progress toward their achievement. The six key social issues arise from the two themes of “Sustainability of society” and the “Development and evolution of society.” Ensuring social sustainability is a common global concern and an absolute precondition for the development of society and the Group’s business activities. At the same time, the pursuit of a sustainable society will be made possible by the new solutions generated by a more developed and evolved society. The two themes are thus interdependent and complementary.

Key issues for “Development and evolution of society”

- Development of local society and economy
  The Group’s business is expanding to countries and regions around the world. Helping to develop the communities where we do business is a common challenge to all our business operations. The Group will contribute to industrial development as well as human resources development in local communities and will endeavor to provide industrial and social infrastructure.

- Improvement of living standard
  The world’s population continues to grow, and many areas are facing problems such as aging and urbanization. The Group will make effort to provide advanced life-related services that contribute to a better life for all people.

- Quality education
  Quality education plays an important role in the development of local communities and economies, which enriches people’s lives and leads to the creation of a sustainable society. The Group will promote various activities, including philanthropy, to contribute to quality education.

Long-term goals for individual key social issues include, for example, aiming for carbon neutrality in 2050, which will be addressed on a long-term basis. Meanwhile, there are goals that we must constantly work on, such as respecting human rights in all of our businesses and supply chains. We will set specific medium-term goals for achieving these long-term goals, monitor KPIs, and take actions while disclosing our progress to stakeholders.

The enhancement of sustainability management that we work

The enhancement of sustainability management that the Sumitomo Corporation Group is working to achieve will not mean merely committing to a role in the realization of a sustainable society. Having drawn outline visions of the carbon-neutral energy cycle, circular economy, and human rights-compliant business activities that will be realized in such a society, we will preview the long-term changes in the business environment needed to achieve them. We will then be able to progress with strategic allocation of management resources to ensure that the Group’s business portfolio is in a position to consistently create and deliver the actual value that society needs. We believe this is the way to achieve long-term increase in corporate value and sustainable growth.

Envisaging the society that we need to become and working toward that goal will open up many business opportunities. Firmly aligning the Group’s value creation with the building of a sustainable society is the goal of the Group’s sustainability management, and we will go on steadily establishing a management framework to achieve that goal.

Establishment of the Sumitomo Corporation Group’s Human Rights Policy in May 2020

We have recently established the Sumitomo Corporation Group’s Human Rights Policy. The new policy represents a clear restatement of our approach to sustainable growth with society and respect for human rights as our corporate social responsibility (CSR) through human rights due diligence, dialogue with stakeholders, internal education and awareness activities, and other initiatives.

Key social issues and long-term goals for Sumitomo Corporation Group

- Mitigation of climate change
  Preventing global warming and mitigating climate change are urgent issues that are indispensable for realizing a sustainable society. The Sumitomo Corporation Group seeks to become carbon neutral in its business by 2050 and develop sustainable energy cycles and create new business.

- Circular economy
  The circular economy through recycling, reuse, reproduction, resource-saving product development, and sharing is an important element for maintaining social sustainability. The Group will contribute to achieve circular economy by recycling, switching to resource-saving technologies and products, and working on sustainable procurement of natural resources.

- Respect for human rights
  Respect for human rights is a universal issue that must be achieved in any place and at any time. The Group operates businesses while engaging with multiple stakeholders including customers, local communities and employees, and we will strive to respect human rights throughout the Group’s business and supply chains.

- Development and evolution of society

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**Responses to Climate Change Issues**

**Sumitomo Corporation Group’s Basic Policy that aims for carbon neutrality by 2050**

We recognize the issue of climate change as a major social issue with great worldwide impacts on the environment, society, and business for generations to come. The Sumitomo Corporation Group has recently revised its policy on climate change in order to play a more active role in the key social issue of climate change mitigation toward the realization of a sustainable society.

**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.

**Initiatives for the realization of a carbon-neutral society**

**Carbon-neutral society**

- Energy management centered on renewable energies
- Energy conservation on the demand side
- Better efficiency
- Absorption and utilization of CO2
- Building a new energy cycle such as hydrogen

**Prospects in the development of new technologies and business models**

- Smart City
- EV charging
- EV batteries
- Car sharing
- Battery for Electric vehicles
- Automotive parts
- Distributed energy resources
- Distributed energy storage systems
- Bioethanol
- Food tech

**Short to medium-term Development of the products/business models**

- (Carbon pricing, CO2 emissions risks, changes in customer mindsets, other changes in the business environment)

**Long-term Development of the products/business models**

- (Enhanced disclosure on climate change-related risks and opportunities)

**Disclosure in line with the final recommendations of TCFD**

Recognizing the importance of disclosure on climate change, in March 2019 Sumitomo Corporation endorsed the Task Force on Climate-related Financial Disclosures (TCFD)’s final recommendations and now comes out with disclosure with reference to the TCFD’s recommended framework. (For further details, please see ESG Communication Book 2020.)