

Special Feature

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



For further details, please see ESG Communication Book 2020.
<https://www.sumitomocorp.com/en/jp/sustainability/report>

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

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.

Identifying our role in realizing a sustainable society with stronger commitment

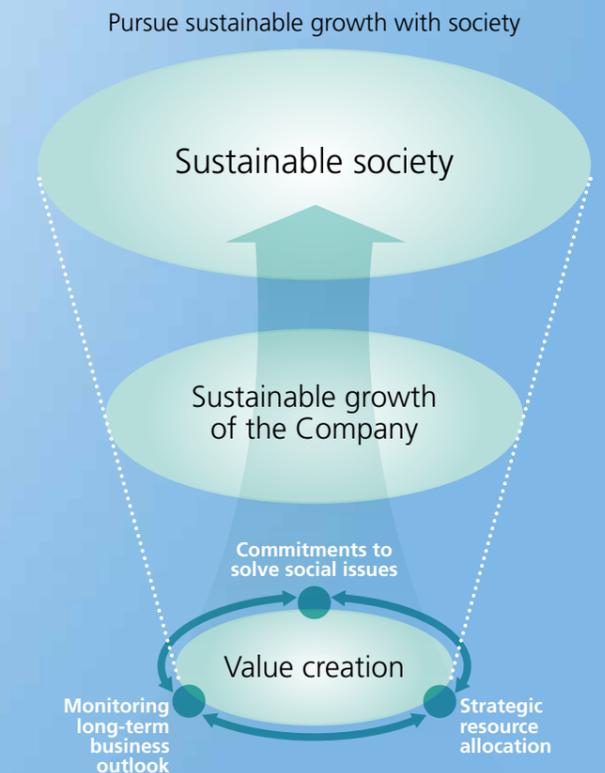
Climate change, loss of biodiversity, and human rights issues are some of the challenges facing modern society that stand in the way of sustainability. The Paris Agreement and the SDGs and Business and Human Rights Guiding Principles are among a range of global goals and guidelines that point the way 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.

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.

Sustainability Management at the Sumitomo Corporation Group



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 social issues for "Sustainability of society"

- **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.

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.

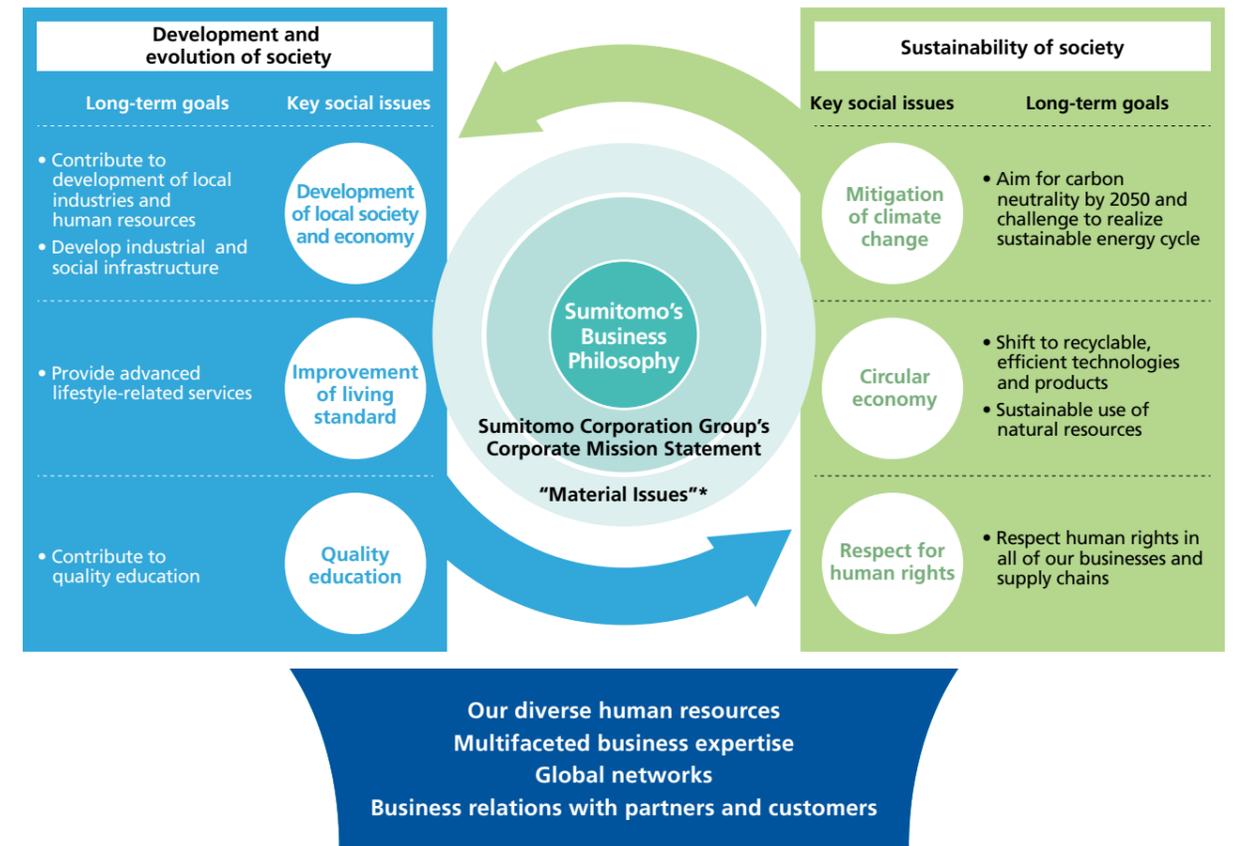
Establishment of the Sumitomo Corporation Group's Human Rights Policy in May 2020

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.

Please visit our website to view the Sumitomo Corporation Group's Human Rights Policy.
<https://www.sumitomocorp.com/en/jp/sustainability/csr#02>



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



* Priority issues identified for the Sumitomo Corporation Group to pursue sustainable growth with society

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

Policy on Business Activities

- Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO₂ emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio. (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.

*1 The scope of business targeted for carbon neutralization is as follows.

[Scope 1-2] Direct CO₂ emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO₂ emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)

[Scope 3] Indirect CO₂ emissions associated with the use of energy resources produced by fossil energy concession of the Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method. Carbon neutrality means net-zero CO₂ emissions that combine CO₂ emissions from our business and our contributions to CO₂ emission reduction.

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

Additional notes: In 2019, the Company 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.

Contributing to CO₂ emissions reduction across society through business activities

To halt global warming and overcome the issue of climate change, we need to realize a sustainable carbon-neutral energy cycle by promoting renewable energy, absorbing and reusing CO₂ and other greenhouse gases, and reducing energy consumption across industry. 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,



Forest business which emphasizes conservation of natural forest

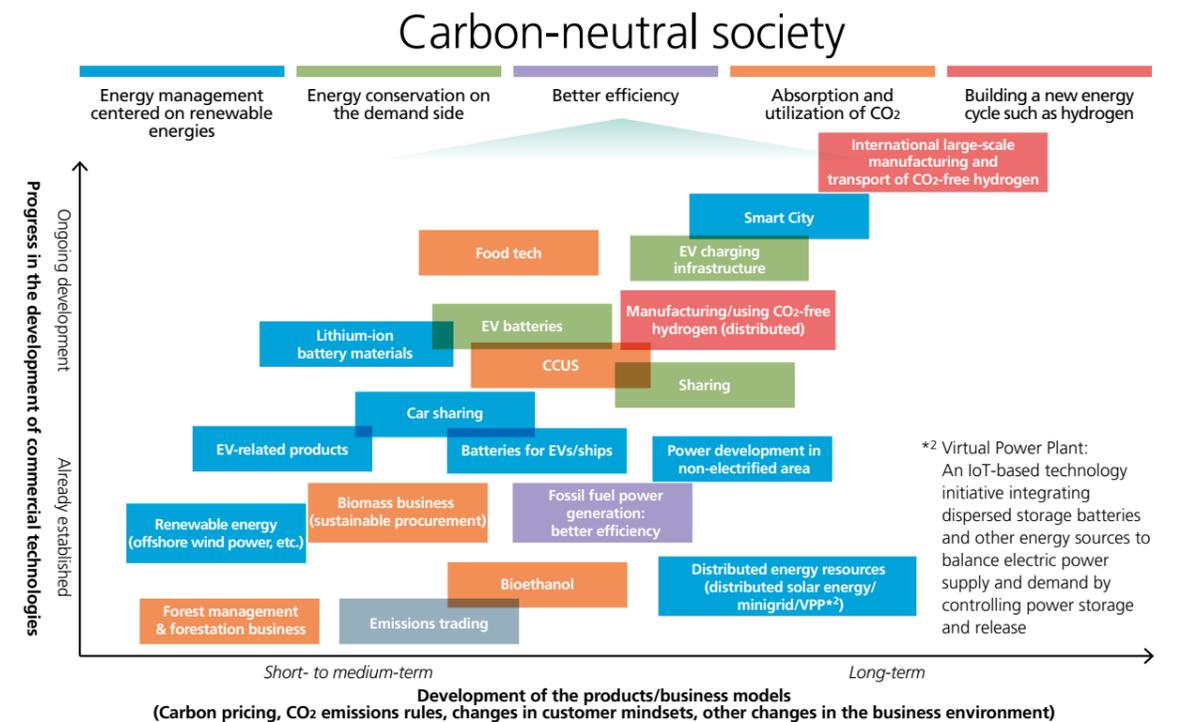
together with numerous partner companies, we engage in multifaceted measures that contribute to the development of a carbon-neutral society, such as practicing more efficient energy management, cutting industrial energy consumption, sustainable forest management that contributes to carbon capture and fixation, and intermittent innovation such as CCUS*1 and CO₂-free hydrogen production.



EV car-sharing

*1 Carbon dioxide Capture, Utilization and Storage

Initiatives for the realization of a carbon-neutral society



*2 Virtual Power Plant: An IoT-based technology initiative integrating dispersed storage batteries and other energy sources to balance electric power supply and demand by controlling power storage and release

Disclosure in line with the final recommendations of TCFD (Enhanced disclosure on climate change-related risks and opportunities)

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 carries out disclosure with reference to the TCFD's recommended framework. (For further details, please see ESG Communication Book 2020.)