

Interpretation of The Sumitomo Corporation Group CSR Action Guidelines for Supply Chain Management

1. Respect human rights and not to be complicit in human rights abuses

Human rights abuses refer to acts stated in 2 to 4 below, in addition to mistreatment, physical punishment, sexual harassment, power harassment, and other inhumane treatment.

2. Prevent forced labor, child labor and the payment of unfairly low wages

Forced labor refers to any labor that is not performed according to one's free will, including involuntary forced labor, bonded labor to repay debts with restrictions on the freedom to leave, slave labor as a result of human trafficking, and inhumane prison labor in harsh environments. Other types of forced labor include being denied the freedom to leave or obligated by one's employer to hand over one's ID, passport, or work permit.

Child labor generally refers to employing persons who have not reached the minimum working age specified by the convention and recommendation of the International Labour Organization (ILO) as well as neglecting to protect young workers. In Japan, employing persons under 15 years of age and violating laws and regulations on the protection of young workers fall under prohibited child labor. Laws and regulations that protect young workers from employment that is likely to jeopardize their health, safety or morals include those that restrict night work and hazardous work. Outside Japan, employing persons who have not reached the minimum working age specified by laws and regulations of the country of operation and violating the obligation of the protection are regarded as child labor. Even in countries where there are no laws and regulations on child labor, any act that violates the ILO's minimum age convention and recommendation is regarded as child labor.

Payment of unfairly low wages refers to the payment of wages that are below the minimum wages specified by the wage laws and regulations of the country of operation. Wages include payment of other allowances, such as overtime compensation and statutory benefits. To prevent payment of unfairly low wages, unfair reduction of wages that violates labor laws and regulations is prohibited. Payment of at least statutory minimum wages to employees should also be observed.

3. Not engage in discriminatory employment practices

Discrimination refers to being biased in providing employment, promotion,

remuneration and training opportunities due to factors other than those that are reasonable, such as one's abilities, competence or performance. Factors that could be involved in discriminatory practices include race, ethnicity, nationality, origin, color, age, gender, sexual orientation, disability, religion, political affiliation, union membership, and marital status. Cases where a health checkup or pregnancy checkup affects fairness with regard to the provision of equal opportunity or treatment are regarded as discriminatory practices.

4. Respect the rights of employees to associate freely in order to ensure open and fair negotiations between labor and management

To respect the rights of employees to associate freely refers to giving consideration to employees' freedom to associate, freedom to join a trade union in accordance with laws and regulations, freedom to take industrial action, and freedom to join a workers' council, without being subject to reprisal, intimidation or harassment. As a means of facilitating negotiations between labor and management on work environments, wage standards and other issues, the laws and regulations on the freedom of association and the right to collective bargaining in each country should be observed and employees' rights to these practices should be respected.

5. Provide employees with safe and healthy work environments

Actions required by this guideline include safety measures for machinery and equipment, the provision of a safe and healthy work environment, proper measures against occupational injuries and illness, an emergency plan, consideration for tasks involving physical loads, facilities' safety and sanitation, and employee health management. Laws and regulations on health and safety in each country should be observed to provide safe and healthy work environments.

Employees' work hours, days off and leave should be managed properly in compliance with the laws and regulations of each country.

6. Protect the global environment and give due consideration to biodiversity

Protection of the global environment includes giving due consideration to climate change, such as by reducing greenhouse gas emissions; ensuring the effective use of resources, water and energy; reduction, reuse and recycling of waste; proper management of chemical substances; prevention of pollution caused by effluents, sludge or exhaust; and reduction of environmental impact.

Actions required by this guideline include building and operating an environmental management system (general management mechanism for developing an

environmental policy and implementing the PDCA cycle to drive continuous improvement), complying with the environmental laws and regulations of each country and setting voluntary standards and conducting assessments as needed, and disclosing the results and progress of environmental activities in reports or by other means.

7. Ensure the quality and safety of products and services

Actions required by this guideline include ensuring product safety (when the company is responsible for product design, the product must satisfy safety standards specified by the laws and regulations of each country), and building and operating a quality management system.

8. Ensure fair business transactions, to abide by all applicable laws, rules and regulations, and to prevent extortion, bribery and all other forms of corrupt business practices

Actions required by this guideline include prohibition of corruption and bribery, prohibition of abuse of a dominant bargaining position, prohibition of offering or receiving any inappropriate advantage, prohibition of any practice that restricts competition, provision of accurate product and service information, respect for intellectual property, appropriate export control, proactive information disclosure, and development of systems for the prevention and early detection of misconduct.

9. Ensure appropriate information security

Actions required by this guideline include managing information assets that are properly categorized into different levels of confidentiality based on its importance, protecting against attacks from outside the Company, preventing leakage of personal information, preventing the leakage of information of customers or third parties, conducting ongoing training and drills for employees, and establishing and monitoring an incident response system at major subsidiaries.

10. Cooperate with members of local host communities and contribute to sustainable regional development

Activities that can contribute to global society and local society refer to activities that support communities using corporate management resources, and generally include the following initiatives:

- Social contribution using the primary operations and skills of the company
- Non-monetary social contribution using facilities and human resources

- Social contribution with monetary donations

Specific examples include cooperation with local communities in the event of a disaster, employees' volunteer activities, support for NPO/NGO activities, donation activities, and disseminating and introducing information.

11. Disclose information regarding the above in a manner both timely and appropriate

Information that society truly needs regarding overall management should be disclosed in a timely and appropriate manner.

More specifically, efforts should be made to disclose not only information required by laws and regulations but also information that is reliable and useful for a wide range of stakeholders based on social norms and one's own judgement in a timely and appropriate manner. Types of information to be proactively disclosed are not limited to management and financial information but also include non-financial information pertaining to environmental and social aspects, which should be recognized as information concerning corporate activities.