

Risk Management

To achieve sustainable growth, Sumitomo Chemical makes an effort to detect, at an early stage, various risks that may hinder the achievement of its business objectives, and takes proper measures. We focus on building and expanding a system relating to risk management so that we can promptly and properly address risks when they emerge.

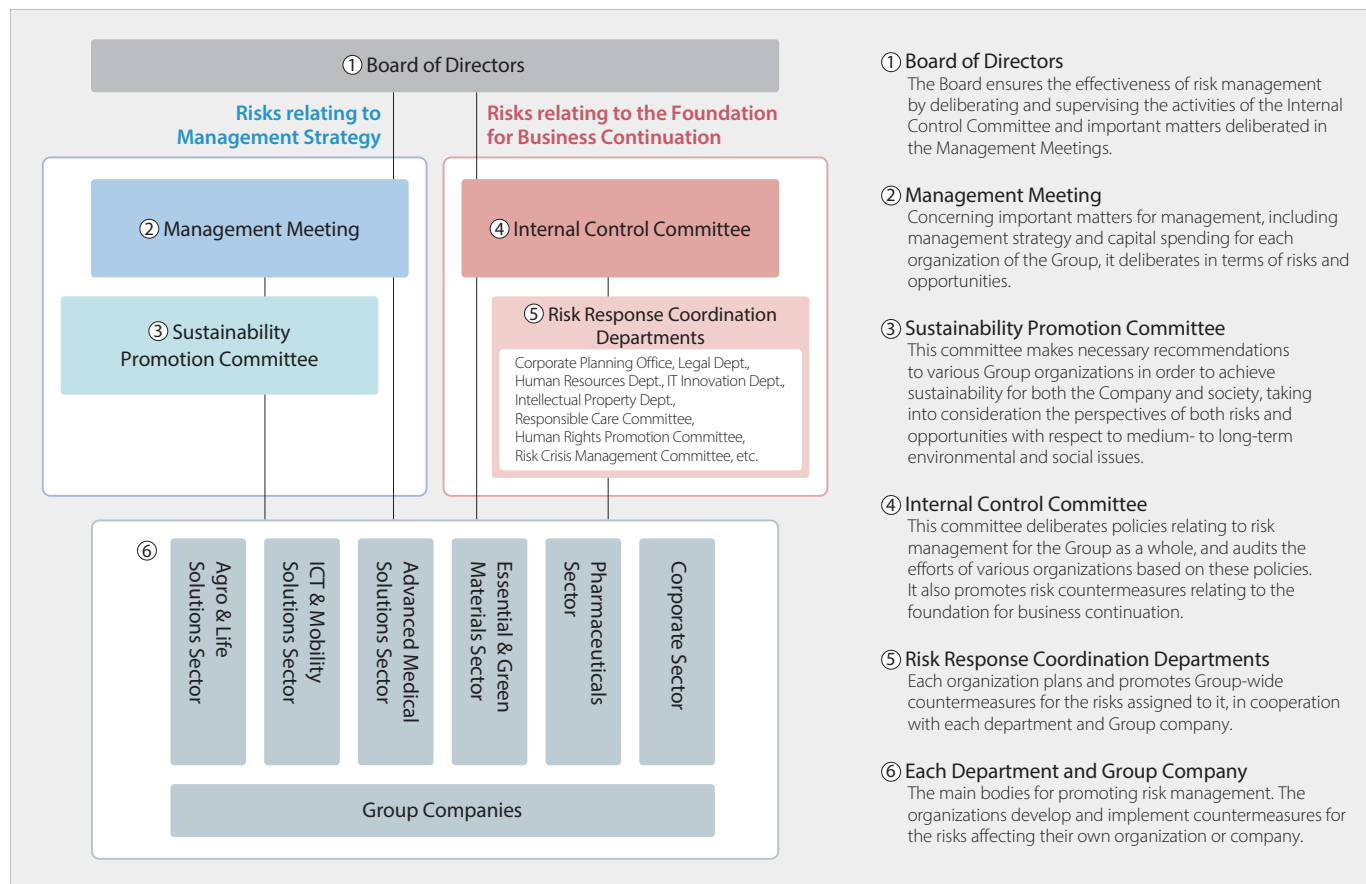
Systems for Promoting Risk Management

At Sumitomo Chemical, as part of its standard duties, each of the Group's organizations is taking various measures to properly manage risks associated with its business operations. In addition to this, a variety of committees work together to promote the Group's risk management.

The Internal Control Committee sets policies relating to risk management for the Group as a whole and monitors the efforts of each organization in accordance with those policies, collecting risk-related information and evaluating it, among other tasks. This committee creates a risk map for the Group as a whole each year, aiming not only to comprehensively capture the status of risks relating to management strategy and the foundation for business continuation, but also to coordinate with risk response coordination departments, promoting countermeasures for important risks relating to the foundation for business continuation, such as earthquakes, workplace accidents, and product-related accidents, on a Group-wide level.

On the other hand, the Management Committee deliberates on important management matters, including management strategies, capital investment, and investment and loans for the Company and its group companies, on a case-by-case basis, regarding risks that require consideration from both an opportunity and a risk perspective. With regard to sustainability, the Sustainability Promotion Committee* makes necessary proposals on medium- to long-term environmental and social issues to each organization of the group to ensure that the management activities of the group contribute to

■ Diagram of Systems for Promoting Risk Management



the realization of sustainability of society and the group itself.

Summaries of the matters covered in the Internal Control Committee and important matters deliberated in the Management Meetings are reported to the Board of Directors.

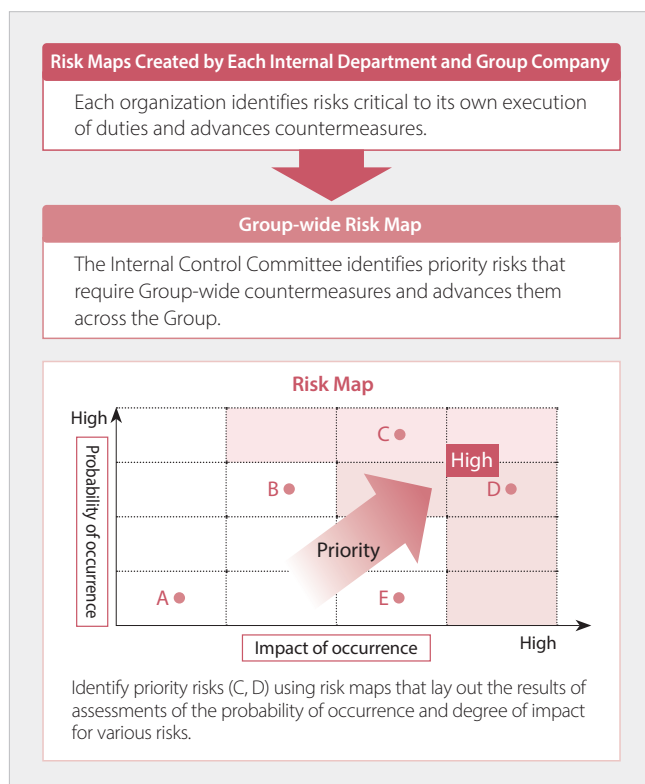
* Outside Directors and Audit & Supervisory Board Members participate as observers

Promotion of Group-wide Priority Risk Assessment and Countermeasures

Every year, approximately 120 major organizations within both Sumitomo Chemical and Group companies around the world conduct risk evaluations using a list of risks compiled by the Company to assess the probability of occurrence and the potential impact of various risks that could hinder the achievement of business objectives and create risk maps. Based on the aggregation of these maps, a Group-wide risk map is created.

The department uses this Group-wide risk map to assess important risks that require Group-wide countermeasures and create risk

■ Evaluating Risks and Promoting Countermeasures



management policies. As listed under the Systems for Promoting Risk Management, risk response coordination departments collaborate to promote the Group's risk management.

In addition, each organization within the Group considers risk countermeasures based on their own risk map and with reference to the Group-wide risk map. As necessary, they take countermeasures in collaboration with the Company's sectors and Risk Response Coordination.

Risk Management: Systems for Promoting Risk Management

■ List of Risk Items

Risk response coordination departments have cooperated to create a list of risk items that broadly encompasses the Group's business activities, from management strategies to risks related to the fundamental drive to remain a going concern.

We revise the list every year in line with changes in internal and external conditions and the business environment. By evaluating Group-wide risks using this list, we have achieved systematic and comprehensive risk management.

| Field | Example of Risks Included in the List |
|--------------------------------------|--|
| Business risks | Interruptions in the supply of raw materials, fuel, or products; rapid price fluctuations; industrial reforms; price competition; technological innovations; digital innovations; extreme weather events; changes in standards and rules; rapid fluctuations in demand |
| Political and social risks | GHG problems; plastic waste problems; terrorism; political instability, economic crises, or institutional changes in various countries and regions |
| Accident and disaster risks | Earthquakes, tsunamis, volcanic eruptions, typhoons, tornadoes, floods, fires, explosions, product-related accidents, environmental pollution, ground subsidence, interruptions in or restrictions of the supply of electricity, gas, water, or other utilities |
| Legal violation and compliance risks | Bribery, collusion, falsification, scandals, criminal behavior, competition laws violations, export control regulation violations, infringement of intellectual property rights, insider trading |
| Personnel and labor risks | Workplace accidents, human rights problems, mental health issues, harassment, spread of infectious or contagious diseases |
| Information security risks | Cyberattacks, system failures, confidential information leaks, personal information leaks |
| Taxation and financial risks | Tax transparency, volatility of managed assets, interest rate volatility |

Risk Factors

https://www.sumitomo-chem.co.jp/english/ir/policy/risk_factors/

Cross-organizational Risks and Crisis Response

We established the Risk Crisis Management Committee to deliberate risks and crisis response policies that affect multiple business sites, departments, and Group companies, such as large-scale disasters (earthquakes, storms, floods, etc.), pandemics, deterioration of security in Japan or overseas (terrorism, riots, wars, etc.), and other issues.

Initiatives Related to Cyber Security Threats

We are working to consider and revise our IT business continuity plan (BCP), which is a BCP for our IT systems, with an eye toward studying BCPs for cyber security threats.