The Material Issues to Be Addressed as Management Priorities

In its Business Philosophy, Sumitomo Chemical affirms its commitment to creating new value by building on innovation, contributing to society through its business activities, and developing an invigorating corporate culture and continuing to be a company that society can trust. Based on this three-part philosophy, we have identified our material issues to be addressed as management priorities.

In fiscal 2018, the Group first identified and announced material issues for sustainable value creation. We revised the issues in fiscal 2021 based on changes in society since then.

We identified our material issues for sustainable value creation, which comprise two sets of material issues — those for social value creation and those for future value creation. The environment (including contribution to climate change mitigation and

adaptation, and recycling resources), food supply, healthcare, and ICT are classified under material issues for social value creation.

Advancing innovation, bolstering competitiveness leveraging digital transformation (DX), and human resources (Diversity, Equity, and Inclusion (DE&I); development and growth; and health) are classified as material issues for future value creation.

Furthermore, regarding the items that serve as the foundation for business continuation — occupational safety and health, industrial safety and disaster prevention, product safety and quality assurance, respect for human rights, compliance, anti-corruption, and cybersecurity — we have been making Group-wide efforts and will continue to work on them as management priorities.

We have set key performance indicators (KPIs) for initiatives

related to our material issues for sustainable value creation. With the use of KPIs, we will continue to manage and disclose the progress of those initiatives, while also promoting dialogues with stakeholders in and outside the company, to enhance and accelerate our sustainability efforts. Regarding those items serving as the foundation for business continuation, we will continue to proactively make disclosures on our initiatives and outcomes, as we step up our efforts.

The items serving as the foundation for business continuation are elaborated in the following sections:

Occupational safety and health, and operational safety and disaster prevention

Occupational Safety and Health / Industrial Safety and Disaster Prevention

Product safety and quality assurance

Product Stewardship /
Product Safety /
Quality Assurance

Respect for human rights

Respect for Human Rights 🗗

Cybersecurity

Cybersecurity 🗗

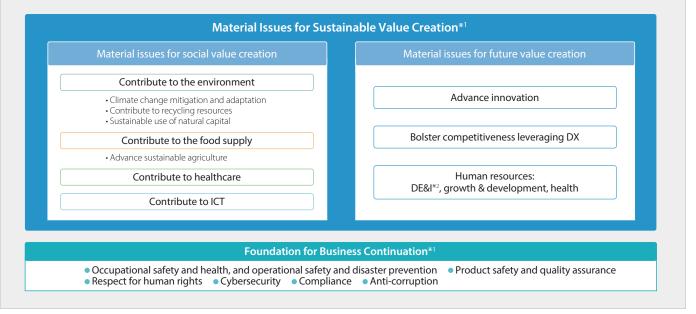
Compliance

Compliance 🗗

Anti-corruption

Anti-corruption 🗗

■ Material Issues for Sustainable Value Creation and the Foundation for Business Continuation



*1 Partially revised in March 2022 *2 Diversity, Equity & Inclusion

1

Process for Identifying and Revising Material Issues to Be Addressed as Management Priorities

When identifying our material issues, we compared the issues we consider the Group should address based on our corporate philosophy with the social issues identified in the Sustainable Development Goals (SDGs) and various international guidelines related to sustainability. We also referred to external experts' advice as well as what we learned by engaging in various initiatives and communicating with stakeholders.

We believe that 1) resolving issues through our business and creating both social and economic value is as important as 2) continuing our business to achieve relevant goals. Based on this view, we have identified our material issues for sustainable value creation based on the former belief and our foundation for business continuation based on the latter belief.

We revised the issues in fiscal 2021 based on subsequent changes in society. We will regularly confirm these issues going forward and revise them as necessary.

■ Process for Identifying and Revising Material Issues

1

An Overall Evaluation of the Group's Contribution to Sustainability

Discussed in the Sustainability Promotion Committee

Begin by analyzing the issue along two axes, importance to business and importance to society

- Identify material issues for continually creating both economic value and social value
- Consider perspectives on utilizing resources, including technology, digital technology, and personnel
- Clarify relationships between various initiatives, including occupational safety and health and compliance

2 Grasp stakeholder requirements

 Take into consideration trends in international society and outside evaluations obtained through participation in initiatives

3 Dialogues with experts

 Receive opinions and proposals from experts on material issues to be addressed as management priorities

Major international guidelines and initiatives we referred to

- Initiatives by WBCSD and other relevant bodies
- ISO 26000
- SDGs
- The 10 Principles of the United Nations Global Compact
- GRI Standards
- Third-party assessments (including FTSE and EcoVadis)

2

Clarifying Material Issues

Discussed in the Sustainability Promotion Committee



- Identified candidates for the Group's material issues to be addressed as management priorities, with a view to creating both economic value and social value sustainably
- Identified the selected Material Issues as "Material Issues for Social Value Creation," for those issues connected to creating business opportunities, and "Material Issues for Future Value Creation," for those resources that can become drivers in the creation of business opportunities
- Identified the items serving as the essential foundation for business continuation, including occupational safety and health and compliance

2

Deliberation and Approval by Management

Approved by the Board of Directors after deliberation in several management meetings

Applied to the Corporate Business Plan