

# Compliance

## Basic Policy

The Sumitomo Chemical Group places compliance at the bedrock of its corporate management. As we engage in business in many parts of the world, all of the companies in the Sumitomo Chemical Group are devoting earnest efforts to stay in strict compliance with not only laws and regulations, but also ethical principles in a business environment. Both the spirit and the letter of ensuring compliance in business activities have consistently been enshrined at Sumitomo Chemical ever since its founding. This unwavering resolve towards compliance is embodied succinctly in the “Sumitomo Chemical Charter for Business Conduct,” which serves as the guideline of conduct for every employee to abide by and constitutes the backbone of our day-to-day compliance activities. In recent years, in particular, companies are expected to fulfill their social responsibilities more than ever before. Given the circumstances, all companies in the Sumitomo Chemical Group are making concerted efforts to further compliance activities, under the strong leadership of top management, to further enhance compliance in the Group’s business activities on a global basis.

### The Sumitomo Chemical Charter for Business Conduct and Code of Ethics Embody the Sumitomo Spirit and Business Philosophy

Sumitomo Chemical has established the Sumitomo Chemical Charter for Business Conduct to embody the Sumitomo Spirit, Business



Philosophy, and Basic Principles for Promoting Sustainability. In addition, to better define the Charter for Business Conduct and more clearly explain it to employees, we established the Sumitomo Chemical Code of Ethics (hereinafter, “the Compliance Manual”) as corporate rules and distributed it to employees.

Sumitomo Chemical Charter for Business Conduct

<https://www.sumitomo-chem.co.jp/english/company/principles/charter/>

Sumitomo Chemical Code of Ethics (Compliance Manual)

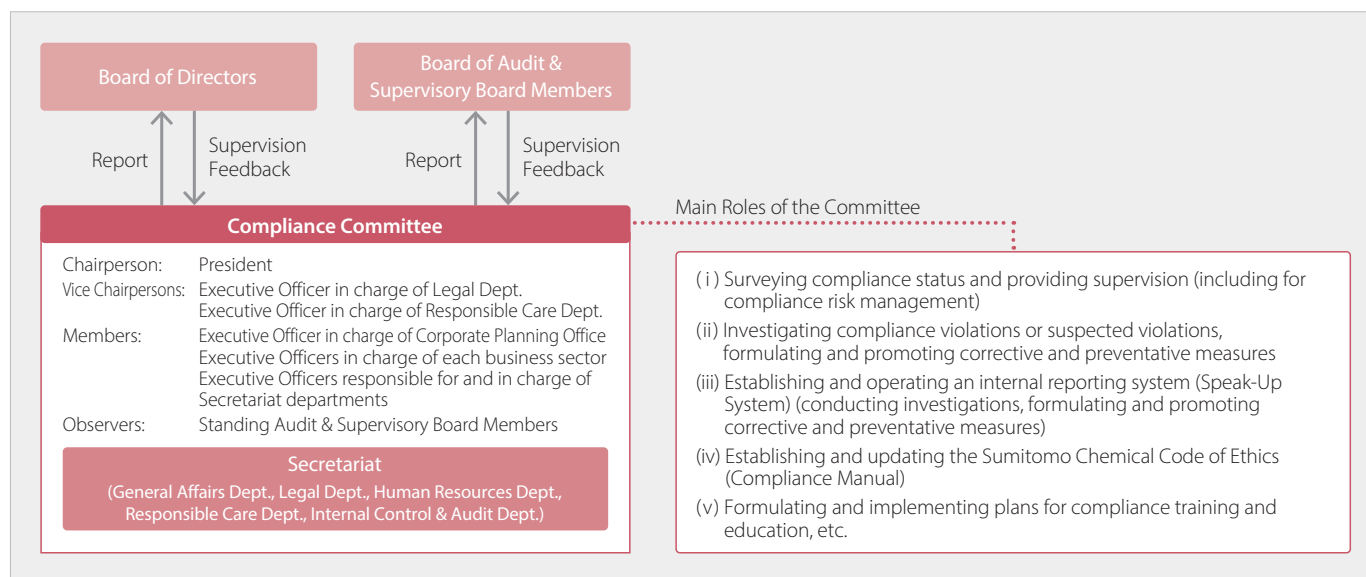
[https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules\\_society/](https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules_society/)

## Compliance System at the Sumitomo Chemical Group

### (1) Compliance Committee

Sumitomo Chemical has established a Compliance Committee chaired by the President and holds a Compliance Committee meeting at least once a year (or more frequently as needed). Details discussed by the committee are reported to the Board of Directors and Board of Audit & Supervisory Board Members, and the committee then receives feedback from them. The committee establishes overarching principles of compliance from a global perspective, and then works with each business sector and Group company, both in Japan and abroad, to build and operate their compliance systems locally in the required manner, according to those global principles.

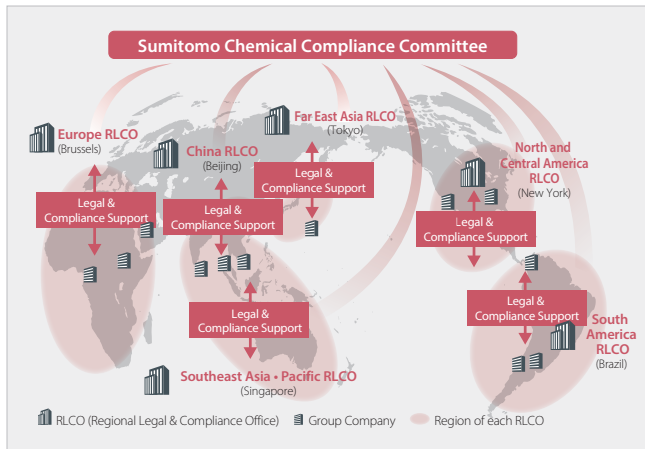
### ■ Compliance Committee



**(2) Group Compliance Structure Focused on Effectiveness**  
**“Think globally, Manage regionally, Act locally”**

As business globalizes, it becomes more important that the operation of a corporation’s compliance system be fine-tuned to situations specific to individual countries or companies. In light of this, we have established Regional Legal & Compliance Offices (RLCOs) in Sumitomo Chemical’s major business regions. Grasping the concrete needs and tasks of their respective Group companies, the RLCOs provide hands-on support and guidance, such as helping Group companies set and implement necessary internal rules and procedures, building company compliance systems, and assisting in operations.

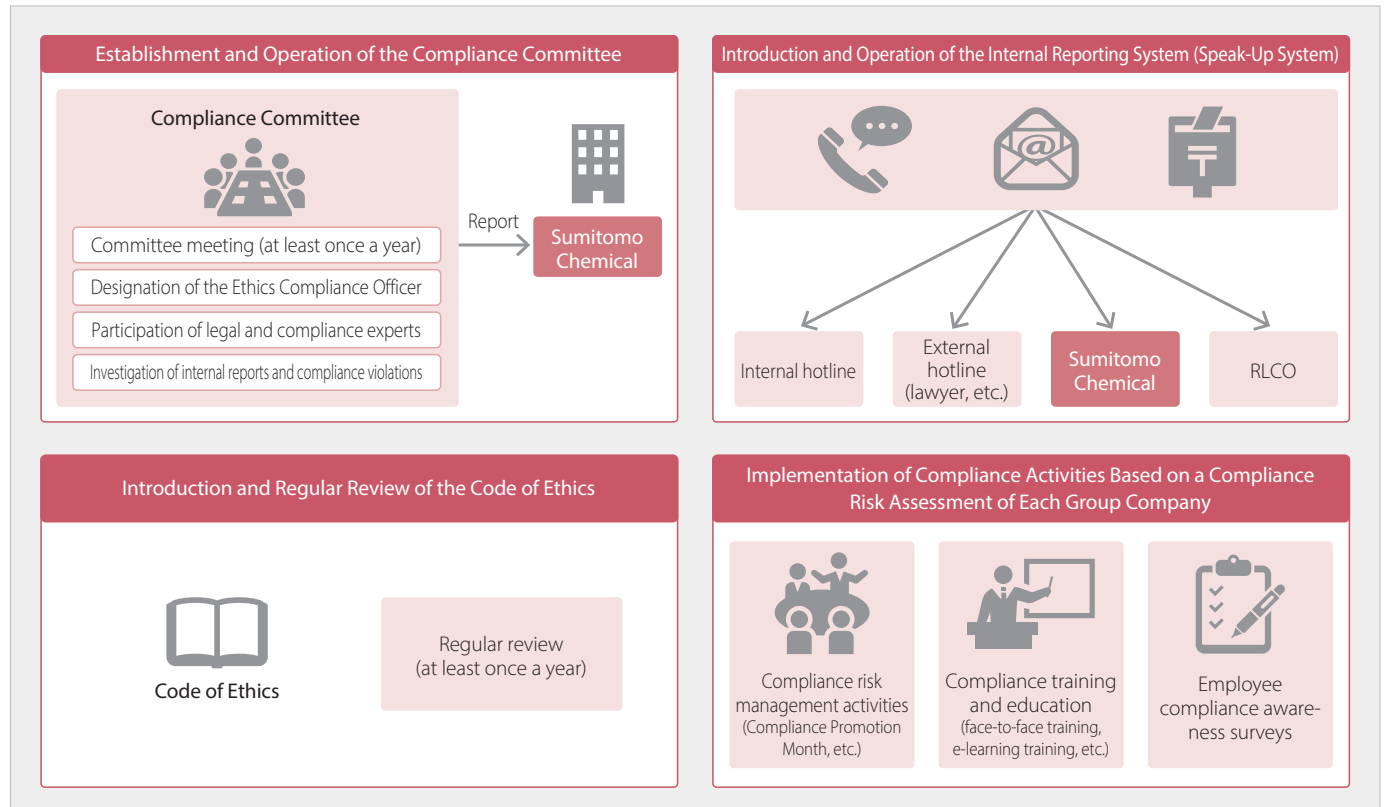
**■ Compliance System at Sumitomo Chemical Group**



**(3) Introducing and Operating a Compliance System for the Company and its Group Companies**

To ensure thorough compliance throughout the entire Sumitomo Chemical Group, it is important that Sumitomo Chemical and its Group companies establish and operate their own compliance systems. Accordingly, we established the Sumitomo Chemical Group Compliance Standards, which outline the compliance systems and activities that serve as our standards. In line with these standards, Sumitomo Chemical and its Group companies are engaged in the following main initiatives.

**■ Compliance System Operations**



- (i) Establishing and operating the Compliance Committee (including responding to internal reports and conducting compliance violation investigations)
- (ii) Introducing and regularly reviewing the Code of Ethics
- (iii) Introducing and operating the Internal Reporting System (the Speak-Up System)
- (iv) Conducting compliance activities (education, training, etc.) based on a compliance risk assessment of each Group company

## Internal Reporting System (Speak-Up System)

### (1) The Internal Reporting System Is the Key to Ensuring Compliance

In order to detect any compliance violations as early as possible or to prevent them from occurring in the future, the Sumitomo Chemical Group has introduced an internal reporting system (the Speak-Up System) that allows company employees, etc., to report a compliance violation or a suspected violation, either directly to the Compliance Committee or to external lawyers. The Speak-Up System may be used by Sumitomo Chemical's management executives and employees (including contract employees) and their families, Group companies' management executives and employees and their families, retirees from the Company or Group companies, and anyone involved in the Group's businesses (including trading partners).

Furthermore, to receive Speak-Up reports without fail, Sumitomo Chemical has set up Speak-Up Reporting Hotlines to receive reports at (i) the Compliance Committees of each Group company, (ii) RLCOs, (iii) the Compliance Committee of Sumitomo Chemical, and (iv) external lawyers designated by these committees. The person

reporting can choose the hotline they think most appropriate. In addition, anonymous reports are also accepted and responded to.

Notes: • Regarding reporting within the European Union, we act in compliance with the various laws and regulations of the European Union or its individual member countries.

• This Speak Up System allows any person for claims (reports) of research misconduct or research financing fraud in studies using public research funds .

### (2) Guidance and Oversight by the Board of Audit & Supervisory Board Members, Including Outside Audit & Supervisory Board Members

On the grounds that Speak-Up reports given to the Compliance Committees of Sumitomo Chemical and the Group companies, as well as compliance violation incidents at each company, are also important from a governance perspective, the Board of Audit & Supervisory Board Members will regularly, or as needed for important issues, receive reports on these reports and violations, and will provide guidance and oversight. Moreover, to further enhance the independence of whistleblower responses related to top management in line with the amended Whistleblower Protection Act, whistleblower

reports regarding top management are submitted only to the Board of Audit & Supervisory Board Members. The Company takes steps to respond to the report while receiving advice from and being monitored by the Board of Audit & Supervisory Board Members.

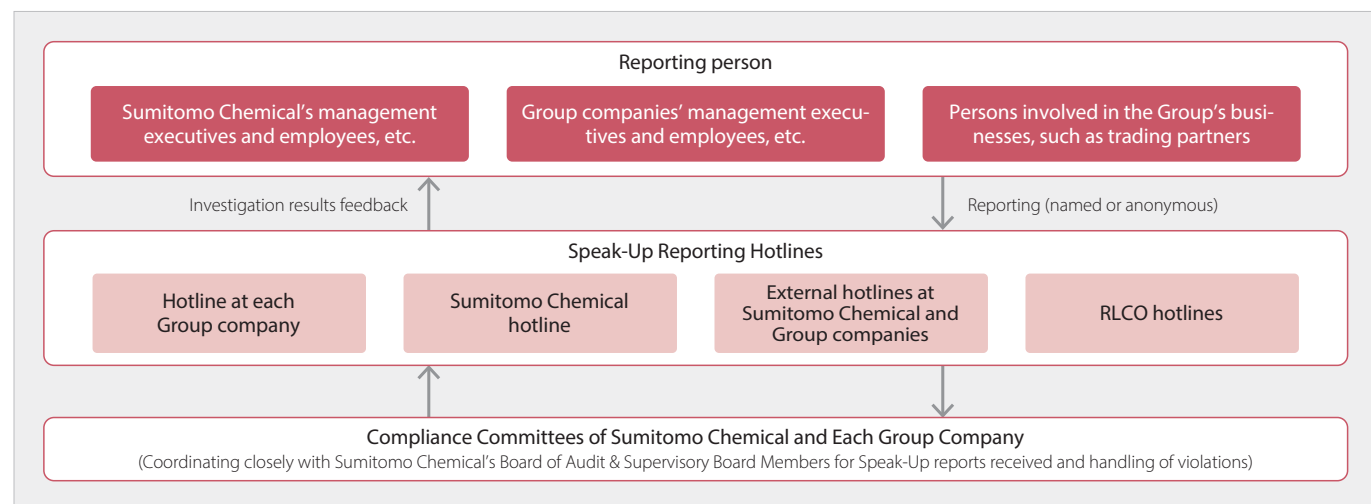
### (3) Promoting Use of the Internal Reporting System (Speak-Up System)

In its Compliance Manual, Sumitomo Chemical Group makes clear that the Company carries out investigations based on the Speak-Up report with utmost consideration to protecting the privacy of a reporting person and maintaining confidentiality of information provided and that the Company doesn't put the truthful reporting person at any disadvantage, such as dismissal, transfer, or discrimination, on the grounds of having made the report. The manual also states that if someone commits a compliance violation but reports it to the Company of their own volition and cooperates with the Compliance Committee's investigation, the person is eligible for leniency regarding the disciplinary action that would ordinarily be prescribed. We are raising awareness of these facts among employees. Moreover, to ensure that the Speak-Up System functions in a truly effective manner, Sumitomo Chemical's Compliance Committee takes every opportunity to explain to employees that Speak-Up reporting will never disadvantage a reporting person. In this regard, the Committee has been working to help employees understand clearly that confidentiality about the reporting is maintained, any disadvantageous treatment to a reporting person is strictly prohibited, and leniency is possible. In addition, the Committee shares with employees information about how far the Speak-Up System is in use by employees.

### (4) Latest Results of the Internal Reporting System

As a result of initiatives promoting use of the reporting system, in fiscal 2023, the total number of reports made to the Compliance Committees of Sumitomo Chemical and its Group companies (including listed companies in which the Company holds a stake of 50% or more) was 232, a year-on-year increase of 9 reports. Upon its receipt,

### How a Report is Processed under the Internal Reporting System (Speak-Up System)



each report was worked on, and an investigation was conducted promptly and cautiously into the reported incident. If compliance violations were found or if a situation that might eventually develop into an incident of violation was recognized, corrective measures were taken properly. In addition, information on violation incidents and corrective measures actually taken was shared, as necessary, with other companies of the Group so that they could prevent similar incidents from occurring in their workplace in the future.

### ■ Number of Reports (Sumitomo Chemical Group\*)

	FY2021	FY2022	FY2023
Number of reports	190	223	232

\* Includes those listed companies in which the Company holds a stake of 50% or more

How to Make Use of Speak Up System

<https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/forms/>

## Response to Compliance Violations

At Sumitomo Chemical and Group companies, when a management executive or employee discovers a compliance violation or suspected violation, the compliance supervisor in the department promptly reports to the relevant department and the Compliance Committee. After submitting a report, an investigation is carried out, and if any compliance violation is discovered, corrective and preventive measures are formulated and rolled out not just to the offending department but to the entire Sumitomo Chemical Group to ensure a recurrence is thoroughly prevented. In addition, the Internal Control & Audit Department and the Responsible Care Department conduct audits from the perspective of compliance. When a compliance violation is discovered through these audits, corrective action is taken directly at that time. In fiscal 2023, there were no major compliance violations related to the Sumitomo Chemical Group's business continuity.

### ■ FY2023 Number of Compliance Violations (Sumitomo Chemical Group\*)

	Number of Compliance Violations
Number of significant compliance violations	0
Significant violations of antitrust and monopoly legislations	0
Significant violations of anti-corruption legislations	0
Significant violations of laws or regulations in the social and economic area besides those mentioned above	0

\* Includes those listed companies in which the Company holds a stake of 50% or more

## Results of Main Compliance Activities in the Sumitomo Chemical Group

### (1) Compliance Committee Meetings

Sumitomo Chemical and its Group companies have established Compliance Committees, which convene either regularly (at least once a year) or as appropriate. Sumitomo Chemical's Compliance Committee convened on April 18, 2024, and reported its results to the Board of Directors and Board of Audit & Supervisory Board Members, from which it received feedback.

### (2) Review and Update of the Code of Ethics

Sumitomo Chemical and its Group companies regularly consider revisions to the Code of Ethics (at least once a year). After conducting a review, if there is need for an update, it is made promptly. Sumitomo Chemical conducted a review of the Code of Ethics at relevant departments. In light of these results, we updated the Code of Ethics in April 2023.

Sumitomo Chemical Code of Ethics (Compliance Manual)

[https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules\\_society/](https://www.sumitomo-chem.co.jp/english/sustainability/governance/compliance/rules_society/)

### (3) Compliance Promotion Activities

#### (i) Compliance Risk Management Activities (Compliance Promotion Month, etc.)

Sumitomo Chemical and some of its Group companies have designated September as Compliance Promotion Month. During this month, all employees in each workplace, including manufacturing, research, sales, and various intermediate departments, participate in discussions to examine and identify all conceivable compliance risks, major or minor, that might arise in each workplace. They then go on to select those risks that need to be specifically addressed and formulate concrete measures to prevent the risks from occurring in the future. For those preventive measures that are already in place, they review once again whether or not the measures are sufficiently effective when implemented. Continuous implementation of these measures not only reduces specific compliance risks in the workplace but also helps in raising employees' compliance consciousness.

During the fiscal 2023 Compliance Promotion Month, we held discussions about fostering workplaces that are open and where workers can speak up. Reports on these activities were submitted by each department, and an evaluation team that includes outside legal counsel objectively evaluated them. With the goal of further raising the level of compliance, we shared information on departments with positive evaluations and the details of their initiatives within the Company.

#### ■ List of Essential Topics of Discussion during the Compliance Promotion Month

Fiscal Year	Essential Topics of Discussion
2016	Fraud risks
2017	Collusion and harassment
2018	Information leaks and management of company assets
2019	Compliance with business laws
2020	Environmental changes caused by the COVID-19 pandemic
2021	Possible improper cases in the processes of one's own department
2022	Information management
2023	Workplaces that are open and where workers can speak up

## (ii) Compliance Training

In line with its firm belief that strict compliance can only be achieved with each employee having high awareness of compliance, Sumitomo Chemical places importance on carrying out compliance education on a continual basis. This includes training programs geared to management executives at Sumitomo Chemical and Group companies as well as class-based training when someone is promoted. In addition, we conduct face-to-face lecture-style training courses and e-learning training, depending on each company's specific needs and situation. In fiscal 2023, we conducted compliance e-learning training for all Sumitomo Chemical employees (around 7,600 people) with a 100% participation rate. In addition, Group companies in Japan conduct compliance training.

### ■ FY2023 Compliance Training Status

	Status of Implementation
Sumitomo Chemical	Compliance e-learning training (confidential information management and harassment prevention): 100% participation rate (conducted at all worksites and departments) (already conducted training on promoting employees and individual training related to corruption prevention, quality assurance, safety, logistics, information security, etc.)
Sumitomo Chemical Group*	Percentage of employees who received training related to compliance (attendance rate) Attendance rate at Group companies in Japan: 94.7% Attendance rate at Group companies overseas: 85.1%

\* Does not include Sumitomo Chemical

## (iii) Employee Compliance Awareness Survey

In order to measure the effect of the initiatives listed above, including compliance activities and training, Sumitomo Chemical and Group companies in Japan and overseas regularly conduct employee compliance awareness surveys. In fiscal 2022, Sumitomo Chemical conducted its seventh employee compliance awareness survey. In the fiscal 2023–fiscal 2024 period, Group companies in Japan and overseas conducted similar surveys. Analyses are conducted comparing Sumitomo Chemical with Group companies and Group

companies with each other, a process that is intended to lead to the discovery of issues and the setting forth of measures aimed at the further improvement of compliance at each Group company.

## (4) Initiatives to Respect Human Rights and Prevent Corruption

An area of our recent focus is to strengthen those initiatives which lead to respect human rights, and initiatives will more effectively serve to maintain sound business practices in companies' entire supply chains, through implementing measures to prevent corruption, such as bribes and collusion with business partners (including bribery and collusion with operators).

## (5) Initiatives to Comply with Competition Laws

To fully ensure compliance with competition laws, Sumitomo Chemical has established the Committee on Antitrust Compliance and Corruption Prevention (chaired by the Company's President) to establish and manage competition law compliance systems for the entire Sumitomo Chemical Group under the guidance and supervision of the Board of Directors and Board of Audit & Supervisory Board Members. In addition, we issued the Competition Law Compliance Manual and have introduced it at Group companies in Japan and overseas in addition to actively providing training using it.

Moreover, as a general rule, we prohibit management executives and employees of business sectors from interacting with rival operators. We introduced an operator consultation system to permit such interactions only in the event that it is necessary for operations and, in such exceptional cases, that approval has been given in advance. In addition, product sales prices must always be independently set based on our own standards. To ensure this, when revising product sales prices and price formulae, the Company convenes the price deliberation committee, which determines the revisions after thorough deliberation.

## ■ Status of Implementation for Training Related to Competition Laws (Including Awareness Raising Activities)

	Status of Implementation
Sumitomo Chemical	Already implemented at eligible worksites and business sectors (cumulative total of 29 times since FY2018)
Sumitomo Chemical Group*	Group companies in Japan: 7 companies (implemented in FY2023) Group companies overseas: 13 companies (implemented in FY2023)

\* Does not include Sumitomo Chemical

## (6) Compliance Audit

As it is also important to conduct audits of whether the operations of the compliance structure and various compliance activities are being appropriately carried out in each department of Sumitomo Chemical, and in each Group company, the Internal Control & Audit Department and the Responsible Care Department conduct compliance audits. Regarding matters discovered during the compliance audits, appropriate corrective measures are taken.

▶ [Respect for Human Rights](#) 

▶ [Anti-corruption: Initiatives in the Supply Chain](#) 

▶ [Responsible Care: Responsible Care \(RC\) Audits](#) 

## Sumitomo Chemical Group Compliance Action Policy (FY2024)

Under the Corporate Business Plan, ensuring strict compliance for the entire Sumitomo Chemical Group while maintaining safe and secure operations is a basic policy, Sumitomo Chemical vigilantly monitors and addresses issues in the following areas.

- Appropriate responses to Speak-Up and compliance violation investigations
- Compliance training and educational activities
- Compliance audits

We will steadily implement compliance promotion activities across the Group, further enhance Group compliance, and focus of efforts on addressing crossover compliance issues. In this way, Sumitomo Chemical will strengthen and improve the Group's compliance system operations and continue to further enhance its effectiveness.

### ■ FY2024 Sumitomo Chemical Compliance Action Goals

Items	FY2024 Goals	FY2023 Results	FY2022 Results	FY2021 Results
Internal Reporting* <sup>1</sup> (Speak-Up reporting)	Regarding the number of employees per report, maintain 100% compared to the previous fiscal year (158 people per report)	158 people per report	173 people per report	226 people per report
Compliance Training	Conduct compliance training at 95% of Group companies	Sumitomo Chemical* <sup>2</sup> : 100% Group companies in Japan* <sup>3</sup> : 95.5% Group companies overseas* <sup>3</sup> : 80.4%	Sumitomo Chemical* <sup>2</sup> : 100% Group companies in Japan* <sup>3</sup> : 97.8% Group companies overseas* <sup>3</sup> : 92.5%	Sumitomo Chemical* <sup>2</sup> : 100% Group companies in Japan* <sup>3</sup> : 91.1% Group companies overseas* <sup>3</sup> : 82.0%

\*1 Includes those listed companies in which the Company holds a stake of 50% or more

\*2 Attendance rate (percentage of employees)

\*3 Percentage of companies that conducted training