

Responsible Care (RC) Audits

Basic Policy

The RC audit is a management system for verifying the proper implementation of RC activities, such as ensuring safety and environmental protection, and maintaining and improving the safety and quality of chemical products. It also promotes process enhancement if areas for improvement are found in those activities.

To promote the Sumitomo Chemical Group's RC global management, RC audit activities are used to study and evaluate duties executed in the course of business and the status of management and supervision from the perspectives of compliance, effectiveness, efficiency, and credibility of financial reporting. By offering advice and proposals for improvement and rationalization through the audit activities, we can prevent compliance violations, corruption, and errors as well as protect corporate assets and enhance operational efficiency. RC audits fulfill the functions of improving management at the Company and Group companies and aid in building, maintaining, and improving the internal control system (responsible audit rules) through the following four-step approach.

- Step 1:** Sharing Sumitomo Chemical's Business Philosophy
- Step 2:** Promoting an understanding of and sharing in the Corporate Policy on Responsible Care (Safety, Health, the Environment and Product Quality); RC management systems; and Group Responsible Care Standards
- Step 3:** Establishing and developing RC management systems at each Group company
- Step 4:** Carrying out modifications to the direction and adjusting levels of RC activities by undergoing RC audits

Through face-to-face communication through each of the aforementioned steps, we have successfully provided assistance so that the RC management system is set in place by taking the scale, type of business, and attributes of each Group company into consideration. Relationships built on trust with Group companies that have been

nurtured through these RC audits are utilized to enhance individual support, the lively exchange of opinions, and various other initiatives aimed at resolving a wide range of issues at Group companies.

Management System

Sumitomo Chemical has an independent RC audit team. The auditors specially designated by the executive officers in charge of RC have a wealth of knowledge, experience, and technical expertise. Based on the RC audit policies and plans approved by the Responsible Care (RC) Committee every year, these auditors conduct audits of internal organizations as well as Group companies in Japan and overseas (consolidated business companies that have been determined to need auditing, Group business companies for which auditing has been requested, and listed Group companies (including their subsidiaries)). In fiscal 2023, as COVID-19 restrictions eased, we restarted on-site audits of overseas Group companies while diligently taking infection prevention measures. However, audits were still conducted

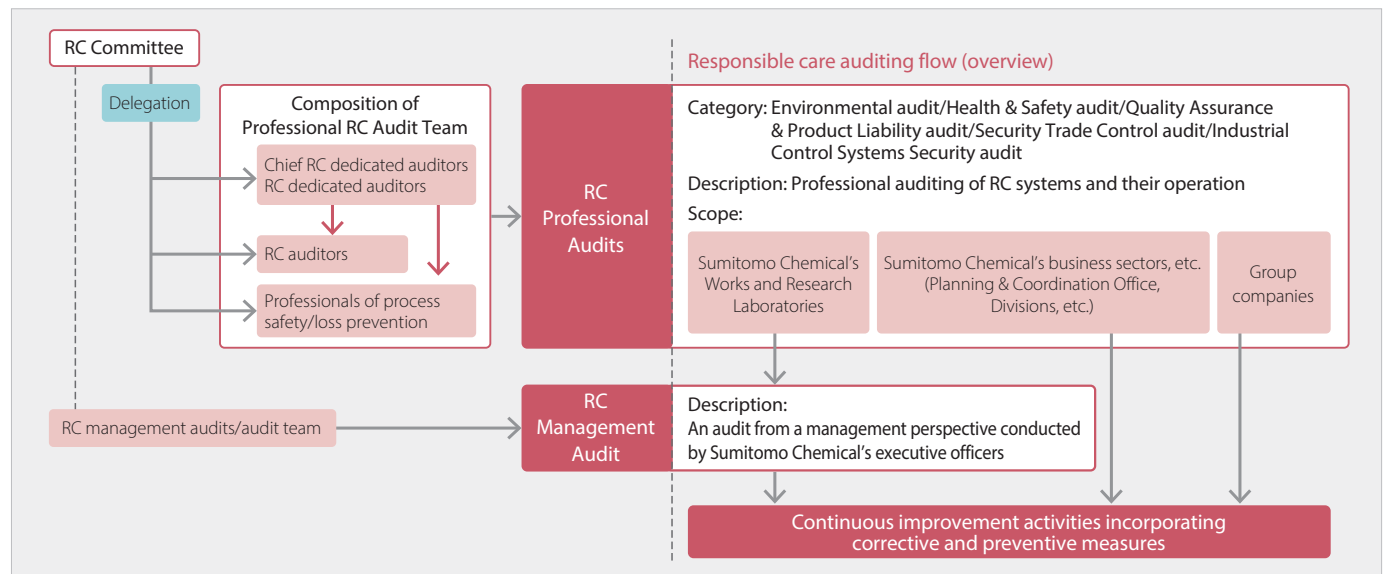
remotely for those in some regions where restrictions remained in place. In addition, RC audits of internal Works and research labs are conducted from a management perspective by an audit team comprising Sumitomo Chemical's executive officers in charge of RC. In line with the important direction provided during an RC audit, the Works and labs report their methods for advancing corrective and preventive measures, the status of their responsible care activities, and important issues to the audit team for discussion.

We continually work to prevent compliance violations, corruption, and errors as well as to improve the management of both Sumitomo Chemical and Group companies while building, maintaining, and improving their internal control systems as needed.

The Scope and Cycle

In principle, RC audits are conducted every one or two years at Sumitomo Chemical's Works and business sectors, and every three years at Group companies.

Responsible Care Auditing Framework



Goals and Results

Responsible Care Audit Results (Sumitomo Chemical Group)

Facilities		FY2021	FY2022	FY2023
Professional audits*1	Works and research laboratories	10	8	7
	Independent laboratories	2	0	1
	Logistics centers	0	0	0
	Business sectors	4	4	4
	Group companies in Japan	16	21	10*3
	Group companies overseas	6	12	13*3
Management audits*2	Works, research laboratories, and independent laboratories	8	5	8
Total		46	50	43

Note: Refer to Responsible Care Auditing Framework on page 1 for more details.

*1 Audits of systems and operations by specialists in each field

*2 Audits from a management perspective by Sumitomo Chemical officers

*3 Companies subject to audit comprised 30 domestic companies (53 facilities) and 36 overseas companies (43 facilities). All domestic audits were conducted on site according to plan. Overseas, one company was audited remotely, but all other audits were conducted on site.

FY2023 Professional Audits for Facilities and Business Sectors (Sumitomo Chemical)

Assessment	Facilities (Works, Research Laboratories)	Business Sectors (Head Office Business Sectors)	Total
Good	34	3	37
Needs improvement	104	5	109
Needs to be examined	89	12	101
Total	227	20	247