

November 26, 2021

**Collective Engagement Case Example: Sumitomo Chemical**  
Collective Engagement on Issues Concerning Corporate Governance of  
Parent-Subsidiary Listings

The seven companies, namely The Dai-ichi Life Insurance, Meiji Yasuda Asset Management, Mitsubishi UJF Trust and Banking, Pension Fund Association, Resona Asset Management, Sumitomo Mitsui DS Asset Management, and Sumitomo Mitsui Trust Asset Management (in alphabetical order), the participants of the Collective Engagement Program presided by The Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”), with IICEF as secretariat, conducted collective engagement with Sumitomo Chemical (hereinafter referred to as “the Company”).

[Sending a letter from IICEF and holding a collective engagement meeting]

This collective engagement meeting was held to communicate problems and concerns over the parent-subsubsidiary listings assumed by the investors and to confirm the Company’s policies and approach. In October 2020, IICEF sent a letter to the Company expressing the common views and questions of the seven participating investors. The following three points made up the gist of the questions.

1. Is the fact of the parent-subsubsidiary listing consistent with the basic direction of the group as a whole? Is it an optimal condition for the group’s overall management strategies? Please provide a rationale for maintaining the subsidiaries as listed.
2. What are the Company’s views on the risk of conflict of interest arising between the controlling shareholders and minority shareholders in listed subsidiaries, and does the Company clarify the principle and the systems of group governance that even look out for the interests of the minority shareholders in listed subsidiaries?
3. What kind of discussions are made at a board meeting and other relevant dialogues on the issues above?

After sending the letter, the Company’s Corporate Communication Dept. and the IICEF secretariat coordinated the proceedings of the meeting in advance, and in January 2021, we held a collective engagement meeting in an online format joined by Mr. Iwata, President, and other executives.

[Outline of the collective engagement meeting]

(Attendees)

The Company: Keiichi Iwata, Representative Director & President, Hiroshi Niinuma, Director & Senior Managing Executive Officer, Keigo Sasaki, Managing Executive Officer, Toshihiro Yamauchi, General Manager, Corporate Communication Dept., and two staffs from IR Team, Corporate Communication Dept.

Investor side: Representatives from the seven participating investors (head/senior officer of responsible investment division, person in charge of engagement, etc.)

Moderators: Directors in charge of IICEF

(The divisions, titles, etc., shown above are current as of the date of the meeting.)

At the meeting, Mr. Iwata, President, provided detailed replies to the questions from IICEF based on meeting materials. The overview is as follows.

1. The basic policy on the Company's group management and the parent-subsiary listings
2. The Company believes that all the listed subsidiaries of the group play key roles in the Company's management strategies at this moment, and from a comprehensive perspective, the parent-subsiary listings are most appropriate.
3. The Company ensures autonomy of the subsidiaries' business operation and respects the rights of the minority shareholders. In order to put them into practice the Company is engaged in various initiatives to design systems that prevent conflict of interest with the minority shareholders of the subsidiaries.

Furthermore, an explanation was given regarding the processes, such as a lot of agendas related to the listed subsidiaries were being put before the Company's Board of Directors and vigorous discussions were being held thereof; and prior to this collective engagement meeting, a meeting was held with the participation of the outside directors and outside corporate auditors on the Company's approach to parent-subsiary listings and many opinions were voiced, including that the Board was currently comfortable with the executives' approach and that the Company should further clarify advantages of the parent-subsiary listings and should state its approach to that in the Company's integrated report.

This was followed by an active question and answer session and an intensive dialogue which would not have been possible at regular IR meetings due to time constraints. The dialogue covered the background and the events leading up to the Company's approach, the current situation, and the management's perception of the circumstances, among others.

[Feedback from participants]

After the close of the collective engagement meeting, we collected feedback from both the Company and the investors and shared them with both sides.

The Company responded with the following feedback.

- This meeting provided us with the opportunity to reconsider and sort out our views on parent-subsidiary listings within the Company.
- The questions by the investors were easy to understand, as they were explained in detail.
- We deepened our understanding thanks to the questions raised and the recommendations given from various perspectives. We hope to make continuous improvements through continued dialogues.

We provided the Company with the following opinions and feedback from the participating investors.

- The direct dialogue with Mr. Iwata, President, afforded us an invaluable opportunity to deepen our understanding of the Company's approach and status of the initiatives. It was a productive meeting.
- We were impressed with the Company's earnest stance of trying to understand the opinions of the investors.
- We are truly grateful to the Company for sharing the opinions of the outside directors and outside corporate auditors expressed during the prior discussions.
- We believe that the Company's initiatives in "peacetime" should be highly rated but it is difficult to completely eliminate the concerns of the investors over how the Company will react in "emergency". We would like to ask for continued dialogues and explanations.

We believe that, with the participation of executive members of the Company including Mr. Iwata, President, this collective engagement enabled us to exchange our opinions in a straightforward manner and deepen our common understanding. With regard to the remaining perception gaps, we hope to further develop our mutual understanding through continued dialogues as the participants commented above.

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