



## Shareholder backlash against Sumitomo Corporation climate inaction

**Monday 21 June 2021:** In a major rebuke to its management, 20% of shareholders voted to support a climate resolution lodged with Sumitomo Corporation (Sumitomo). The resolution is a first of its kind targeting a Japanese trading house.

A vote of one-fifth of the shareholders against management is significant considering the proposals put up by management received 98 to 99% support from shareholders. The value of shares held by Sumitomo shareholders who voted for the proposal was approximately US\$2.53 billion.<sup>1</sup>

Coordinated by environmental finance group Market Forces, the resolution called on Sumitomo to adopt and disclose a plan outlining its business strategy to align its business with the Paris Agreement's goal of limiting global temperature increases to 1.5 degrees Celsius.

"Investor pressure is working," said Market Forces Campaigner Megu Fukuzawa. "Faced with a shareholder resolution, Sumitomo was forced to update its climate policy last month. While this may have assured some investors the company is on the right track, today's vote clearly shows a large bloc of Sumitomo's owners are rightly far from convinced. To be aligned with the Paris Climate Agreement, Sumitomo still has a long way to go."

Although Sumitomo is committed to achieving carbon neutrality by 2050<sup>2</sup>, its latest disclosure<sup>3</sup> shows that:

- it plans to keep its coal power business to the **late** 2040's despite the latest science telling us phase out must be by 2040, and remains open to developing new coal power like Matarbari Phase 2 (Units 3 & 4) in Bangladesh;
- its interim target between 2020 and 2035 for overall emissions reduction (50%) falls short of the International Energy Agency's (IEA) Roadmap (61.7%);

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<sup>1</sup> Yahoo Finance, Share Price of Sumitomo Corporation as of close of business 18 June 2021, US\$13.24 USD. online: <https://finance.yahoo.com/quote/SSUMY/>. 191,020,800 shares were listed as voting for the shareholder proposal. online:

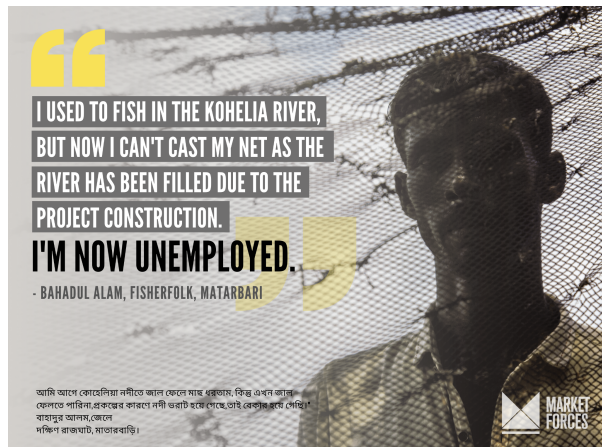
<https://disclosure.edinet-fsa.go.jp/E01EW/download?1624243907481&uji.bean=ee.bean.parent.EECommonSearchBean&uji.verb=W0FEZA106CXP001003Action&SESSIONKEY=1624243899162&s=S100LKWN>.

<sup>2</sup> Sumitomo Corporation, "Response to Climate Change", online <https://www.sumitomocorp.com/en/jp/sustainability/environmental-management/climate>.

<sup>3</sup> Sumitomo Corporation, ESG Communication Book (2020), online: <https://www.sumitomocorp.com/en/jp/sustainability/report>.

- has no oil or gas phase-out plans.

Furthermore, Sumitomo is currently supporting the construction of at least five new coal power plants in four countries, including the controversial 1.32GW Van Phong 1 Coal Power plant and the 1.2GW Matarbari 1 Coal Power Plant in Bangladesh. Sumitomo is also acquiring new thermal coal assets, and in FY2019 Sumitomo's equity share of thermal coal production increased.



There were protests at the Sumitomo headquarters on Tuesday and at the AGM today highlighting the harm Sumitomo's expansion of coal power is doing to local communities in Bangladesh.



"Sumitomo's failure to pivot from fossil fuels should be a major concern to shareholders, especially since its competitors' transitions are gathering pace," said Fukuzawa.

Internationally, General Electric<sup>4</sup> (GE) and Siemens<sup>5</sup> announced they would stop bidding in tenders for new coal power plants. While in Japan, Mitsui announced it would sell all its coal power plant stakes by 2030<sup>6</sup> and Itochu that it would be selling its stakes in 3 coal mines by 2024.<sup>7</sup> In March 2021, Sojitz Corporation (Sojitz) also stated that it would reduce its thermal coal project stakes by more than half by 2025 and to zero by 2030.<sup>8</sup>

Market Forces believes today's vote would have been significantly higher but for proxy advisors such as Glass Lewis raising concerns over the format of the shareholder proposal. Nevertheless, in proposing to amend Sumitomo's articles of incorporation, Market Forces used the most common format for shareholder proposals in Japan as well as the sole legal pathway for climate shareholder proposals.<sup>9</sup>

"Science tells us that building more coal power plants in 2021 is unacceptable and the vote demonstrates that Sumitomo can expect more investor pressure if they fail to align with Paris," said Fukuzawa.

[Read the resolution](#)

[Read the investor briefing](#)

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<sup>4</sup> General Electric. "GE to pursue exit from new build coal power market," online:

<https://www.ge.com/news/press-releases/ge-pursue-exit-new-build-coal-power-market>

<sup>5</sup> Reuters. Siemens Energy stops bidding for coal-fired power tenders, online: <https://www.reuters.com/article/siemens-energ-results-idINF9N28000R>

<sup>6</sup> Reuters. "Mitsui Co to sell all stakes in coal fired power plants by 2030," 12 October 2020, online: <https://www.reuters.com/article/japan-trader-mitsui-co/exclusive-mitsui-co-to-sell-all-stakes-in-coal-fired-power-plants-by-2030-ceo-idUKL4N2GY2OT?edition-redirect=uk>

<sup>7</sup> Reuters. "UPDATE 1-Itochu books \$843 mln loss from selling stake in Colombian coal mine," 4 February 2021, online: <https://www.reuters.com/article/itochu-results-idUSL1N2KA0C1>

<sup>8</sup> Argus Media. "Japan's Sojitz targets complete exit from coal, oil," 5 March 2021, online: <https://www.argusmedia.com/en/news/2193173-japans-sojitz-targets-complete-exit-from-coal-oil>

<sup>9</sup> Client Earth. "Shareholder Climate Proposals in Japan," 25 March 2021, online: <https://www.clientearth.org/latest/documents/shareholder-climate-proposals-in-japan/>