

CSR Report 2014



CONTENTS

Editorial Policy	2
Interview with the President	3
Overview of Business Operations	5

SMM Group CSR

Corporate Philosophy for a Sustainable Society ...	7
Six Key CSR Areas and Vision for 2020	8
CSR Promotion Framework	9
Our Stakeholders	10
Special Feature 1: The History of the SMM Group ...	11
Special Feature 2: The Product Creation Spirit Leading to the World's Highest Level Performance ..	13

Environmental & Social Aspects: Initiatives in the Six Key CSR Areas

Effective Use of Resources	15
Environmental Preservation	21
Contribution to Society and Local Communities ...	37
Respect for People and Human Rights	45
Occupational Health and Safety	55
Stakeholder Communication	61

Economic Aspects

Strengthening Economic Ties with Stakeholders ...	71
---	----

Corporate Governance and Management Aspects

Corporate Governance	73
Compliance	75
Risk Management	76

SMM's Responses to Stakeholder Opinions ...	77
---	----

Independent Assurance Report	78
------------------------------------	----

GRI Content Index	79
-------------------------	----



Editorial Policy

This report has been created for the benefit of customers, citizens of local communities, shareholders, suppliers, employees and all other stakeholders. The intention was to provide a clear outline of activities Sumitomo Metal Mining Co., Ltd. (SMM) is pursuing in order to achieve sustainable co-existence with society and the global environment.

The articles in this report focus on activities relating to the "Six Key CSR Areas," which were selected in 2008 after three months of deliberation in six workshops by an in-house group of 20 people comprising executive officers and general managers of Head Office divisions. Their selection was based on the impact those areas have on the company and the extent of related social needs. To determine those needs, we used insight gained through regular communication with stakeholders and information from other sources (e.g. GRI* guidelines and other international standards, and trends in civil society). For each of the Six Key CSR Areas, we have set a Vision for 2020, and we created a roadmap in 2008 that shows the course to realize these visions.

Against the backdrop of changing social situations, the Vision for 2020 and its roadmap were revised by the CSR Committee in May 2012, when the 2012 3-Year Business Plan was formulated. This is our report prepared in alignment with the GRI Sustainability Reporting Guidelines at an application level of A+. This declaration is externally assured.

* Global Reporting Initiative (GRI): An organization established with the purpose of creating and promoting international guidelines for sustainability reports

Boundary of the Report

Sumitomo Metal Mining Co., Ltd. (SMM)
The Sumitomo Metal Mining Group
(consolidated subsidiaries)

Economic Aspects: SMM, consolidated subsidiaries and affiliates

Environmental Aspects: SMM and consolidated subsidiaries

* From the perspective of significance, we included equity-method application affiliate Nippon Ketjen Co., Ltd., but excluded consolidated subsidiaries with a low environmental impact. The following subsidiaries and affiliates have been covered. Some statements on Taganito HPAL Nickel Corporation have been made, but the company is not included in aggregate data as operations started in January 2014.

Igeta Heim Co., Ltd., SH Precision Co., Ltd., SH Materials Co., Ltd.
SMM Precision Co., Ltd., Ohkuchi Materials Co., Ltd.
Ohkuchi Electronics Co., Ltd., JCO Co., Ltd., Shisaka Smelting Co., Ltd.
Shinko Co., Ltd., Sumiko Kunitomi Denshi Co., Ltd., Sumiko Lubricant Co., Ltd.
SumikoTec Co., Ltd., Sumiko Logistics Co., Ltd., Sumitomo Metal Mining Engineering Co., Ltd. Sumitomo Metal Mining Siporex Co., Ltd.,
Taihei Metal Industry Co., Ltd., Niihama Electronics Co., Ltd.,
Niihama Materials Co., Ltd., Nittosha Co., Ltd., Nippon Ketjen Co., Ltd.
Japan Irradiation Service Co., Ltd., Hyuga Smelting Co., Ltd.
Coral Bay Nickel Corporation, Malaysian SH Precision Sdn. Bhd.
Malaysian SH Electronics Sdn. Bhd., Sumitomo Metal Mining Pogo LLC
Sumiko Advanced Materials (Suzhou) Co., Ltd.
SH Electronics Suzhou Co., Ltd., Suzhou SH Precision Co., Ltd.
SH Electronics Chengdu Co., Ltd., SH Electronics Taiwan Co., Ltd.

Social Aspects: SMM and consolidated subsidiaries

Publication Date

November 2014

Previous publication: November 2013

Next scheduled publication: November 2015

Period Covered

Japan: April 1, 2013 - March 31, 2014

Overseas: January 1, 2013 - December 31, 2013

(Some activities before or after the above period have also been included)

Referenced Guidelines

GRI Sustainability Reporting Guidelines, Version 3.0
Environmental Reporting Guidelines of the Japanese Ministry of the Environment (2012 version)

Unless otherwise stated, the term 'ton' refers to a metric ton.

Enquiries

PR & IR Department, Sumitomo Metal Mining Co., Ltd.
11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan
Tel: 81-3-3436-7705 Fax: 81-3-3434-2215

Photographs on This Page

Taganito HPAL Nickel Opening Ceremony

Built under the Taganito Project being promoted on Mindanao Island in the Philippines, the HPAL plant was completed and an opening ceremony held locally on September 2013. The ceremony was widely attended by representatives from the Philippines government, local government, and the construction work.



Becoming a world leader in non-ferrous metals and an excellent company of Japan through the ongoing effects of all employees thinking hard before taking action

Yoshiaki Nakazato
President and Representative Director



Q1

Considering conditions in society as a whole, what do you perceive are the issues that the SMM Group needs to address?

A Close to 50 years have passed since American economist Kenneth E. Boulding warned that if we went on consuming fossil fuels the way we were, Spaceship Earth was headed for collapse. Absolutely nothing has changed. In fact, the situation is now much worse. In the mineral resources and smelting & refining businesses, too, we are up against an even greater number of challenges than in the past, as seen by the deterioration of ore quality and the increase in hard-to-process ores caused a strained supply of metal resources.

We, the SMM Group, certainly have a role to play in contributing to the resolution of these social issues through our core business. Already we have been working to lower our environmental impact, for example through use of low-grade nickel ore, recovery of rare metals, and a focus, in the materials business, on the environment and energy fields. These efforts were possible due to our advanced capabilities, specifically in regard to technology on site, and our salespersons. The fact that our commercial application of high-pressure acid leaching (HPAL) technology for processing low-grade nickel ore

went smoothly, in contrast to global competitors, is one example demonstrating our on-site strengths.

So that the SMM Group can continue to contribute to society by exercising its on-site strengths, I think it will be important for each and every employee to develop a habit of thinking hard about why their work is necessary and what they should do next, based on an understanding about the relevance of their work to society.

Q2

What is important when undertaking business in emerging nations?

A In some countries, we are seeing a new trend toward "resource nationalism," an example being Indonesia's new mining law, effective since January 2014, which prohibits exports of unprocessed ore. In light of this trend, I believe there is now an even greater need to build solid relationships of trust between countries and regions in possession of resources and those like us, who carry out development and operate in those places. Having the trust of the local community is a major prerequisite to a region granting us permission to operate a mine, smelter or refinery there. I strongly feel that we need to return to the principles of the Sumitomo Business Spirit, which begins by declaring Sumitomo

shall place “prime importance on integrity,” and focus even more on building relationships of trust with local communities.

To help us do that, not only are we continuing efforts in development and operations to achieve zero environmental contamination and minimize negative impacts, we are advancing initiatives that will contribute to regional development over the long term, such as promotion of employment, improvement of facilities at schools, hospitals and other infrastructure, and development of human resources through scholarship programs. Knowing that mining, smelting and refining are all long-term businesses which span several decades, and in particular that in emerging nations SMM's businesses are a form of community development, I view it as our duty to develop alongside the community.

Q3 | What is the current status of the 2012 3-Year Business Plan and what is the outlook?

A In the 2012 3-Year Business Plan, we have put forward becoming a *world leader in the non-ferrous metals industry* and an *excellent company of Japan* as a vision for the SMM Group. Our biggest challenges in realizing this vision are surely the Taganito HPAL project and the Sierra Gorda copper mine development project.

Taganito HPAL, which has moved into full production, will demonstrate our advanced capabilities in project execution. Meanwhile, the Sierra Gorda copper mine development project, in Chile, aims to start commercial production by the end of the year. This will serve as a touchstone to prove that SMM has the ability to take a major share and carry out development through to management of copper mines around the world in the future. We are advancing these projects as top management priorities.

In addition, through restructuring and advancement of a growth strategy in the materials business, I hope that we can firmly establish SMM's position as a globally unique multiple business company with mineral resources, smelting & refining, and materials as its three core businesses.

And as we start drawing up the 2015 3-Year Business Plan, we plan to review our Vision for 2020—the future state of SMM defined under the Six Key CSR Areas—by examining the gap between the vision and our current state and revising it to include specifics and make it easier to understand. One thing the SMM Group has adhered to consistently is our stance of contributing to society through our own business. Rather than carry out CSR activities especially, we will look to realize our vision by focusing on the Six Key CSR Areas within our steady implementation of 3-year business plans.

Q4 | What do you wish to instill to employees as the essence of CSR?

A I think the essence of CSR comes down to the actions that employees ordinarily choose to take as individual human beings and individual members of the SMM Group. That simultaneously requires the development of a vision for businesses and a corporate culture that are characteristic of Sumitomo Metal Mining. It is important that employees have contact with society and readily engage in communication with people around them, and by doing so come to understand and sympathize with others, and to share and resonate with others, while constantly thinking about how they should act.

The Sumitomo Business Spirit is there to support us with those decisions and actions. It is more than just a slogan. I look at it as a backbone, a trunk around which employees of the SMM Group mold their conduct, helping to shape the most fundamental aspects of their character. I, too, am constantly learning from the history of Sumitomo as I go about my job and the Sumitomo Business Spirit is so profound that I am still only halfway toward fully understanding it, gradually coming to terms with the various aspects. The Sumitomo Business Spirit does not only refer to those things that can be explained in words. For example, the vicinity of the old Besshi Copper Mine—formerly run by the Sumitomo family then finally taken over and closed by SMM—has been restored to its natural state, so much so that it is hard to imagine there was once a town there where many people who worked at the mine lived. This was achieved through the efforts of our forerunners who practiced the principle, included in the Sumitomo Business Spirit, of paying back nature with gratitude for its bounties through reforestation and other measures. As the saying goes, it is far better to see with your own eyes, and so the fact that this legacy remains for us to witness makes it a very valuable asset indeed.

Q5 | Do you have a message for employees?

A An important task for SMM, as a manufacturing company, besides enhancing capabilities of employees in the areas of technology and sales, is to improve the quality of management sustaining those capabilities. To do that, we certainly need an environment that allows each and every employee to dynamically engage in their works. In that sense, employees are extremely important stakeholders.

Sumitomo Metal Mining teams up with people in local communities to develop mines, produce high-quality metals from ores using advanced technology, and create metal materials that are put to use in all kinds of scenarios right across society. It is a business filled with so many different elements bringing excitement to all those involved. Please don't be content with concentrating on your own job. Make more of an effort to talk, and even make a point of engaging in small talk, with the people around you, including people in other divisions, and broaden your horizons. And by doing so, gain a fresh understanding of the bigger picture.

The very ability of each and every employee to think before they act is both a valuable asset and a lifeline for SMM. In deciding how to act, I would like you, as individual members of the SMM Group, to constantly consider what others will think and what is expected of you.



Overview of Business Operations

Corporate Data

Company name:	Sumitomo Metal Mining Co., Ltd.
President:	Yoshiaki Nakazato
Founded:	1590
Incorporated:	1950
Capital:	¥93.2 billion
Listings:	Tokyo Stock Exchange
No. of consolidated subsidiaries ¹ :	66
No. of equity-method affiliates ¹ :	16
No. of employees (consolidated) ^{1, 2} :	8,628 (764)
Net sales (consolidated) ¹ :	¥830.5 billion
Recurring profit (consolidated) ¹ :	¥114.4 billion

Main Facilities

Head Office: 11-3, Shimbashi 5-chome, Minato-ku, Tokyo (Shimbashi Sumitomo Building)
 Osaka Branch
 Main branch: Nagoya Branch, Besshi-Niihama District Division (Ehime Prefecture)
 Branches: Toyo Smelter & Refinery (Ehime Prefecture)
 Niihama Nickel Refinery (Ehime Prefecture)
 Harima Smelter (Hyogo Prefecture)
 Ome District Division (Tokyo)
 Sagami Plant (Kanagawa Prefecture)
 Isoura Plant (Ehime Prefecture)
 Plants: Hishikari Mine (Kagoshima Prefecture)
 Mine: Research centers: Ichikawa Research Laboratories (Chiba Prefecture)
 Niihama Research Laboratories (Ehime Prefecture)
 Battery Research Laboratories (Ehime Prefecture)
 Materials Research & Development Center (Tokyo)

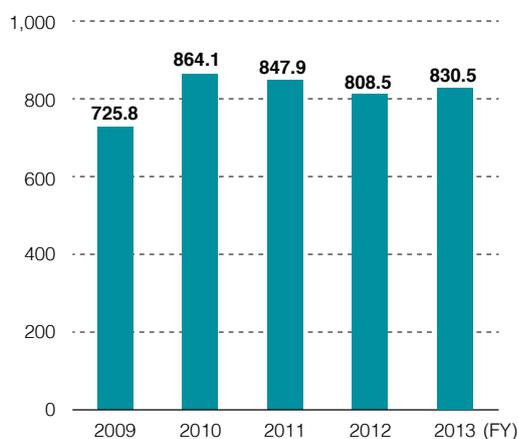
Main Products

1. Mineral resources segment:
Gold and silver ore, copper concentrates, copper, gold
2. Smelting & refining segment:
Copper, gold, silver, electrolytic nickel, ferro-nickel, zinc, chemical products
3. Materials segment:
Semiconductor materials, thick film materials, thin film materials, battery materials, crystal materials, magnetic materials, oil refining catalysts, automotive catalysts, autoclaved lightweight concrete, lubricants

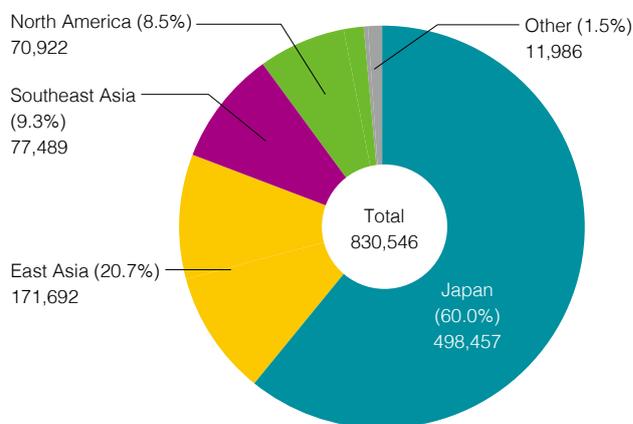
No. of countries and regions where business is conducted: 16

1. As of March 31, 2014
 2. The number of full-time employees. The average number of additional temporary staff during the year is shown in parentheses.

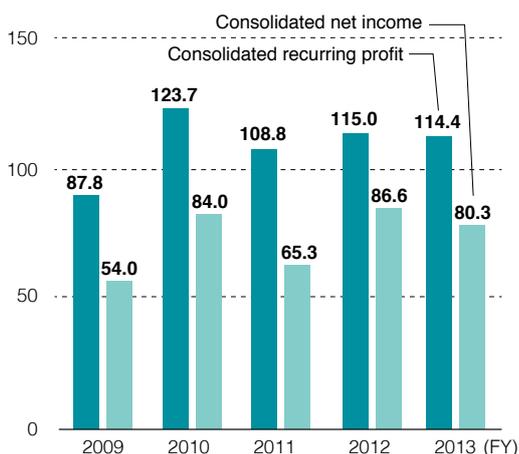
Consolidated Net Sales (Billion yen)



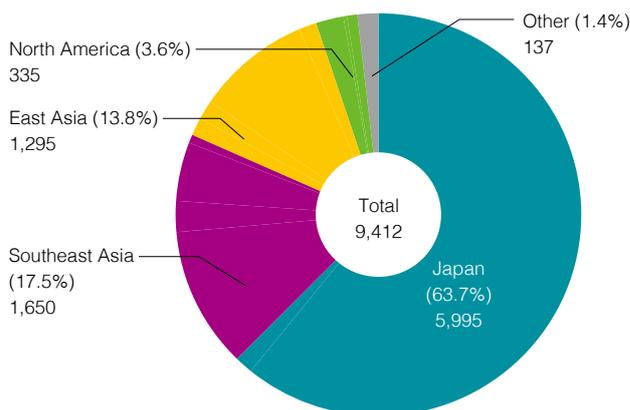
Net Sales by Region (Million Yen)



Consolidated Recurring Profit/Consolidated Net Income (Billion yen)

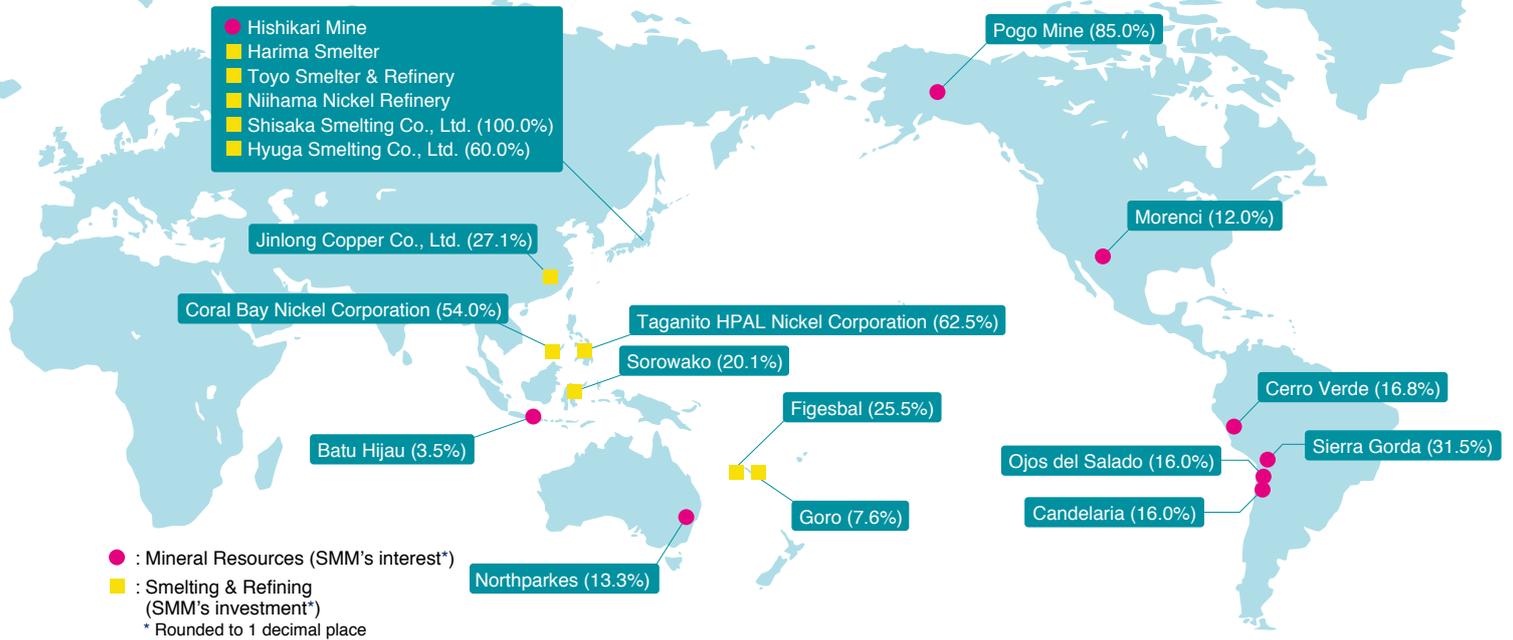


Number of Officers/Employees by Region



* As of March 31, 2014. "Number of officers/employees by region" does not match "No. of employees (consolidated)" as it includes full-time officers, non-regular and limited-term employees.

SMM Group Business Locations (As of July 1, 2014)



Japan

Sumitomo Metal Mining Co., Ltd.

Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd.
- Sumiko Solomon Exploration Co., Ltd.

Smelting & Refining

- Acids Co., Ltd.
- MS Zinc Co., Ltd.
- Shisaka Smelting Co., Ltd.
- Sumiko Logistics Co., Ltd.
- Taihei Metal Industry Co., Ltd.
- Hyuga Smelting Co., Ltd.
- Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

Materials

- SH Copper Products, Co. Ltd.
- SH Precision Co., Ltd.
- SH Materials Co., Ltd.
- SMM Precision Co., Ltd.
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.
- Ohkuchi Materials Co., Ltd.
- Granopt Co., Ltd.
- Shinko Co., Ltd.
- Sumiko Kunitomi Denshi Co., Ltd.
- Sumiko Lubricant Co., Ltd.
- SumikoTec Co., Ltd.
- Sumitomo Metal Mining Siporex Co., Ltd.
- Niihama Electronics Co., Ltd.
- Niihama Materials Co., Ltd.
- Nittosha Co., Ltd.
- Nippon Ketjen Co., Ltd.

Other

- Igeta Heim Co., Ltd.
- JCO Co., Ltd.
- Sumiko Technical Service Co., Ltd.
- Sumiko Techno-Research Co., Ltd.
- Sumiko Plantech Co., Ltd.
- Sumitomo Metal Mining Engineering Co., Ltd.
- Japan Irradiation Service Co., Ltd.

Asia

Mineral Resources

- Cordillera Exploration Co., Inc. (Philippines)

Smelting & Refining

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Coral Bay Nickel Corporation (Philippines)
- Nickel Asia Corporation (Philippines)
- Taganito HPAL Nickel Corporation (Philippines)
- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)
- P.T. Vale Indonesia Tbk (Indonesia)

Materials

- Dongguan Sumiko Electronic Paste Co., Ltd. (China)
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)
- SH Electronics Suzhou Co., Ltd. (China)
- Suzhou SH Precision Co., Ltd. (China)
- Sumiko Advanced Materials (Suzhou) Co., Ltd. (China)
- SH Electronics Chengdu Co., Ltd. (China)
- SH Precision Chengdu Co., Ltd. (China)
- Sumico Lubricant Trading (Shanghai) Co., Ltd. (China)
- Taiwan Sumiko Materials Co., Ltd. (Taiwan)
- SH Electronics Taiwan Co., Ltd. (Taiwan)
- SMM KOREA Co., Ltd. (South Korea)
- Malaysian Electronics Materials Sdn. Bhd. (Malaysia)
- Malaysian SH Electronics Sdn. Bhd. (Malaysia)
- Malaysian SH Precision Sdn. Bhd. (Malaysia)
- SH Asia Pacific Pte. Ltd. (Singapore)
- Sumiko Tape Materials Singapore Pte. Ltd. (Singapore)
- Sumiko Leadframe (Thailand) Co., Ltd. (Thailand)

North America

Mineral Resources

- SMM Candelaria Inc. (U.S.)
- SMM Exploration Corporation (U.S.)
- Sumitomo Metal Mining America Inc. (U.S.)
- Sumitomo Metal Mining Arizona Inc. (U.S.)
- Sumitomo Metal Mining Pogo LLC (U.S.)
- Stone Boy Inc. (U.S.)
- Sumitomo Metal Mining Canada Ltd. (Canada)
- SMM Resources Ltd. (Canada)
- Sumac Mines Ltd. (Canada)

Other Regions

Mineral Resources

- Compañía Contractual Minera Candelaria (Chile)
- Compañía Contractual Minera Ojos del Salado (Chile)
- Sumitomo Metal Mining Chile Ltda. (Chile)
- SMM Sierra Gorda Inversiones Ltda. (Chile)
- Sierra Gorda S.C.M. (Chile)
- SMM-SG Holdings Inversiones Ltda. (Chile)
- Sumitomo Metal Mining Peru S.A. (Peru)
- Sociedad Minera Cerro Verde S.A.A. (Peru)
- Sumitomo Metal Mining do Brasil Ltda. (Brazil)
- Sumitomo Metal Mining Oceania Pty. Ltd. (Australia)
- SMM Cerro Verde Netherlands B.V. (Netherlands)
- SMM Solomon Ltd. (Solomon Islands)

Smelting & Refining

- Figesbal S.A. (New Caledonia)
- Sumic Nickel Netherlands B.V. (Netherlands)

Other Businesses

- SMM Holland B.V. (Netherlands)

SMM

- Consolidated subsidiaries
- Equity-method affiliates

Corporate Philosophy for a Sustainable Society

The Sumitomo Group has been developing its business for more than 400 years through continuous adherence to the Sumitomo Business Spirit. Acknowledging the importance of the values and ethics our forerunners built into the Sumitomo Business Spirit, we will make every effort to strengthen SMM Group business and consolidate society's trust in us.

The SMM Group upholds the Sumitomo Business Spirit in its Corporate Philosophy and Management Vision. The very activities we pursue to substantiate the visions expressed in those lines constitute SMM's CSR activity and their implementation will take us closer toward our goal of "sustainable co-existence with society and the global environment."

The Sumitomo Business Spirit

Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

"Business Principles" forming the "Rules Governing the House of Sumitomo," formulated in 1928

Detailed information on the Sumitomo Business Spirit can be viewed on pp. 11-12.

SMM Group Corporate Philosophy

- ▶ Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- ▶ SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

SMM Group Management Vision

- ▶ By developing and employing innovative technology, we shall fulfill our social responsibilities as a manufacturing enterprise.
- ▶ Based on the principles of compliance, environmental protection and operational safety, the Sumitomo Metal Mining Group shall pursue maximum corporate value through the provision, via its global network, of high-quality materials such as non-ferrous metals and electronics and advanced materials.

CSR Policy

1. SMM shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2. SMM shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3. To continue sound business activities, SMM shall respect human rights and shall try to be a company in which diverse human resources take active parts.
4. According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5. SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

Six Key CSR Areas and Vision for 2020

In 2008, SMM determined key areas of CSR activity for the Group and a Vision for 2020 based on the impact of those areas on the Group and the extent of related social needs. We will actively pursue initiatives in those areas in line with the CSR Policy, toward our goal of "sustainable co-existence with society and the global environment."

Stakeholder communication

A company that is open to communication with stakeholder groups worldwide

Effective Use of Resources

A company that generates resources using innovative technology

Business development through technologies to process low-grade/hard-to-process ores and recycle materials from urban sources

Environmental Preservation

Reduced CO₂ emissions (energy savings) and conservation of biodiversity

A company that meets international anti-global warming standards by using advanced technologies

- Zero industrial waste emissions
- An expansion of material business concerning products with low environmental impact (creating, storing, and saving of energy)

Six Key CSR Areas and Vision for 2020

Occupational Health and Safety

A company that accords safety the highest priority and provides comfortable working environments

- No occupational accidents throughout the SMM Group (including business partners)
- Zero incidence of occupational disease
- Create workplaces where protective equipment (earplugs/masks) is unnecessary
- A vibrant company whose workforce is physically and mentally healthy

Respect for People and Human Rights

- A company that respects human rights and diversity of employees, develops employees with high awareness of human rights, and gives equal opportunities depending on motivations to work and abilities of employees
- A company that respects human rights of people who are affected by business activities of the SMM Group
- A company that does not get involved in complicity with an entity that causes violations of human rights at areas with undeveloped social infrastructure and at troubled areas

Contribution to Society and Local Communities

A company in which employees are proud to work along with the company on social contribution activities rooted in the area

SMM Group CSR Objectives
Sustainable Co-existence with
Society and the Global Environment

CSR Promotion Framework

SMM's CSR activities are promoted by the CSR Committee, which convenes at least once a year and comprises the President, as chairman, and the heads of the business and Head Office divisions.

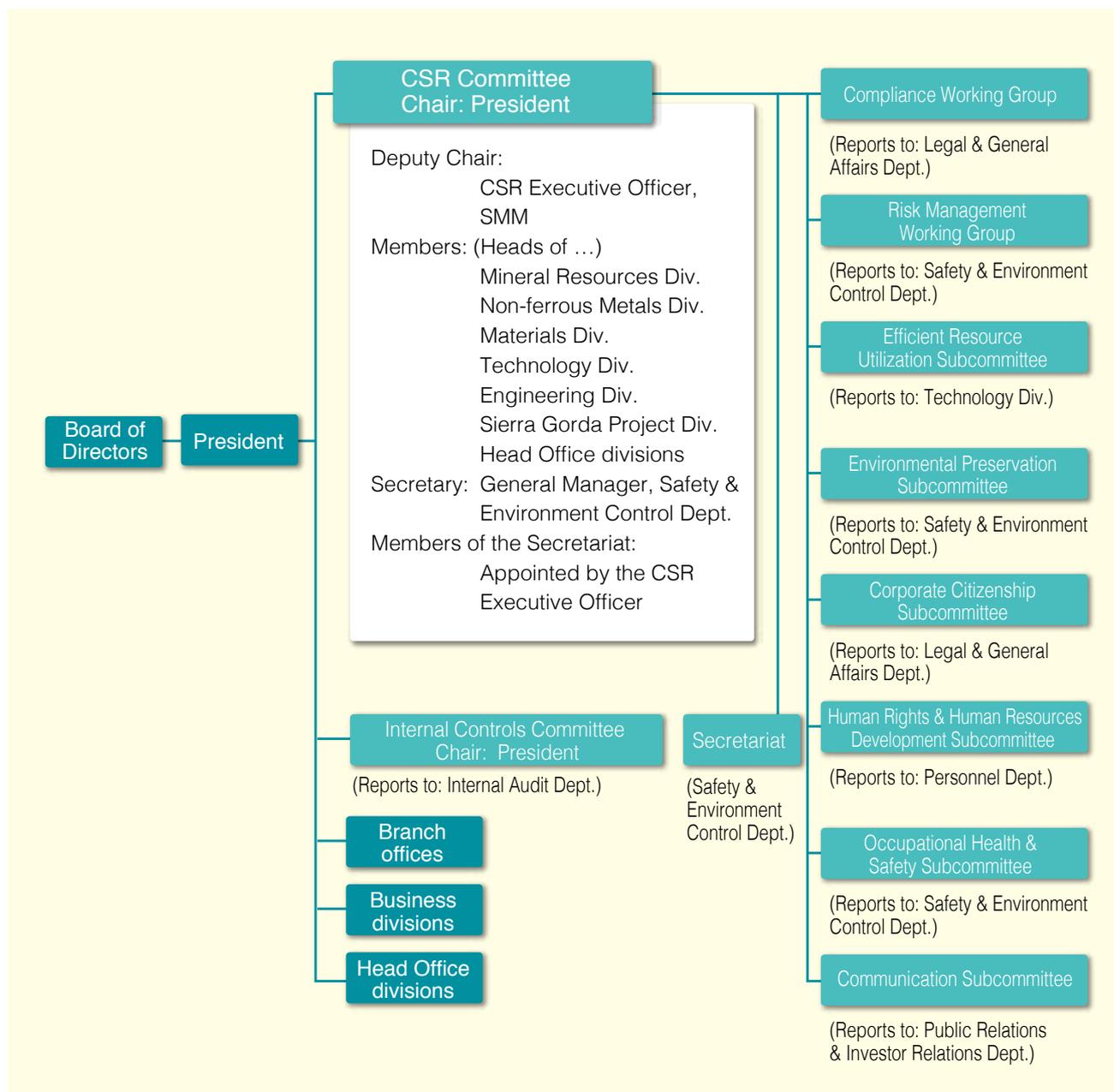
Attached to the CSR Committee are two working groups—the Compliance and Risk Management Working Groups—and six subcommittees overseeing the following areas: efficient resource utilization, environmental preservation, corporate citizenship, human rights and human resources development, occupational health and safety, and communication. Each of these six subcommittees, which correspond to the SMM Group's "Six Key CSR Areas," works

toward annual targets in the quest to realize the "Vision for 2020."

CSR activities consistent with these annual targets are advanced principally through initiatives at business sites and group companies. Actual implementation is carried out by all officers and employees according to their individual roles.

The CSR Committee operates a PDCA (Plan-Do-Check-Act) cycle, reviewing activities each year and evaluating the company's performance in social, environmental and financial terms.

CSR Promotion Framework



Our Stakeholders

Prior to the launch of CSR activities at SMM in 2008, deliberations were held relating to the SMM Group Corporate Philosophy, Management Vision, CSR Policy and Vision for 2020, and the following entities with an interest in SMM's activities were identified as stakeholders: customers, shareholders, employees, local communities, creditors, business partners, citizen groups, and the government. SMM aims to maximize its corporate value and has established targets that specify the "ideal company" for each stakeholder category.

Communication with Stakeholders

Customers

Communication with customers occurs mainly via sales personnel. Responses are made to opinions received through action at the management level for each business using the frameworks in place.

opportunities for employees to offer feedback and requests are arranged. Talks between individual employees and their supervisors are also held to ascertain the progress being made to meet job targets set for the fiscal year. Many comments and questions are fielded through these talks.

Shareholders and Investors

Institutional investors and analysts are kept informed about the progress of the business strategies under SMM's 3-Year Business Plan through business strategy progress briefings held twice a year. They are also updated on SMM's financial results through conference calls at the time of the quarterly earnings announcements. Meetings are also held on an individual basis to facilitate understanding of SMM's management.

Local Communities

The SMM Group seeks to communicate sufficiently with people in the community when making inroads into a new region. Opportunities for communication are regularly arranged even after operations commence and an effort is made to offer adequate explanations to members of the community when problems occur. We also carry out various activities to strengthen ties with the community, such as providing support for and participating in events.

Individual investors are briefed on business conditions via such means as the company website and the *Report for Shareholders*, which is published twice a year.

Business Partners

This is based on friendly relationships built up over the years. Individual divisions within the SMM Group stay in touch with business partners on a daily basis to hold dialogue on business operations and products and to exchange technological information.

All feedback from investors is regularly reported to the management and applied to the administration of the company.

Employees

In Japan, workers' unions formed at branch offices and SMM Group companies fall under the umbrella of the Federation of Sumitomo Metal Mining Workers' Union. SMM routinely holds briefings or discussions with each union. Overseas, organizations representing employees are regularly briefed on the business situation and

Other

SMM also engages in regular information exchange and round-table discussions with local government and industry groups in communities where our facilities and group companies are located, as well as with citizen groups related to our business.

Each SMM Stakeholder Category's "Ideal Company"



Learning about the Sumitomo Business Spirit from History

Integrity. Sound management. No pursuing easy gains. The Sumitomo Business Spirit sets out a common philosophy for the entire Sumitomo Group. Assistant curator of the Sumitomo Historical Archives, Teruaki Sueoka, explains in simple terms how individual employees can apply the philosophy in their daily jobs once they properly understand it.

The Sumitomo Business Spirit

Summary of Business Operations

Article 1 Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2 Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Obvious, Universal Principles We Must Not Take for Granted

The Sumitomo Business Spirit is DNA shared by all Sumitomo Group companies. Looking at how and when it was established, we can trace its origins to a letter, known as the *Monjuin Shiigaki*, written by the founder of the House of Sumitomo, Sumitomo Masatomo (1585–1652). In the early Edo period letter, Masatomo (or Monjuin), who was a man of religion and a philosopher as well as a merchant, explains to Kanjuro, a young employee, his rules for doing business. The content can be largely divided into three parts. The first part says to carry out business with the utmost sincerity, and to improve yourself and become a fine person. The second part expounds the importance of compliance and refers to the laws of the government (shogunate) of the day. The third part says to explain to customers in a kind and courteous manner until they understand, pointing out that business comes with accountability.

More than a century later, in 1740, the same passages appear in the *Nagasaki-ten Okitegaki* (family code of conduct for the Nagasaki branch). It is likely that Kanjuro's descendants had passed Masatomo's letter to the Sumitomo family, who in turn incorporated it into the family code. When the House of Sumitomo and the business it owned were split into separate entities in the Meiji era (1868–1912), the Sumitomo family code was split into the *kaken*, or family charter, to be observed by the House of Sumitomo, including the head of the family; and the *kaho*, or family code, which business operators and employees had to observe. The first and second articles of the latter (the family code) exist today as the "Business Principles," which make up the Sumitomo Business Spirit.

The Sumitomo Business Spirit must not, however, be directly associated with the *Monjuin Shiigaki* letter. The Japanese terms for *integrity*, *sound management* and *easy gains* used in the Business Principles are all contemporary terms coined during or after the Meiji era. The *Monjuin Shiigaki* revealed the essence of business as the founder of the House of Sumitomo intended to explicate it and our Meiji era forerunners drew from that a set of universal teachings.



Teruaki Sueoka
Assistant Curator, Sumitomo Historical Archives
Special Adviser, Niihama City Hirose Memorial Museum

Many people would think consider the importance of integrity and sound management obvious, and so many companies would not see any need to draw attention to them. But all of Sumitomo's successive director generals believed that it was exactly because these principles were so obvious that people forgot about them, and made a point of reiterating them in New Year instructions. They kept repeating them because they were important.

The Sumitomo Business Spirit is neither a secret to making money, nor a call for generation of benefit only for one's own company. It exists on a much higher level as a universal philosophy. Over a long period of time, some 300 years, Sumitomo has had to deal with natural disasters and labor issues in its management of the Besshi Copper Mine, and has constantly thought hard about what is important to the nation and to local communities. The Sumitomo Business Spirit is the essence, an upshot of those events and efforts, and even as Sumitomo Group companies globalize, having originally branched out from the Besshi Copper Mine operation, I believe the philosophy, as long as it is shared, will hold true all over the world.



▲ Sumitomo Masatomo, founder of the House of Sumitomo (Photo: Sumitomo Historical Archive)



▲ Monjuin Shiigaki

DNA to Be Acquired as Appropriate According to the Role and Responsibility

The younger the age group, the lower the rate of penetration of the Sumitomo Business Spirit. But this is only to be expected. People's roles change with the positions they hold, and with their age. Those in their 20s mainly undertake tasks within their own workplaces and often seek instructions from their supervisors. Situations where they make their own decisions are limited. Managers, on the other hand, have more to do with people outside the workplace and have greater responsibilities. One such responsibility is their responsibility to the company. Another, as in the case of Sumitomo Metal Mining (SMM),

is the responsibility to the Sumitomo brand.

Management and older employees conduct themselves in the knowledge that they are looked to as an example. Younger employees observe their older colleagues and supervisors to get a feel for the particular style and culture of the organization, which they proceed to acquire naturally. I called the Sumitomo Business Spirit DNA because it is acquired in this manner and is not something that can be taught.

An Enterprising Spirit Allowing Continuation of Core Business While Adapting to the Changing Times

The statement in the Sumitomo Business Spirit on not pursuing “easy gains,” is apparently used as a guideline, along with the part about “placing prime importance on integrity and sound management,” by many employees in their day-to-day work. But they must be careful not to focus excessively on the expression. The Business Principles were penned after the Meiji Restoration during the Meiji “bubble,” a period of economic prosperity marked by the sudden emergence of corporations when investment in shares and land was extremely popular. “Easy gains” refers to short-term profits and the term is included here to teach the importance of focusing on core business—that profit has to be earned through hard work. That is exactly why it is important, as stated in the section before the part about easy gains, that activities have to be managed “with foresight and flexibility in order to cope effectively with the changing times.”

In the early years of the Meiji era, the Besshi Copper Mine was a step ahead of the Japanese government when it hired talented French engineer Bruno Louis Larroque to revolutionize technology at the mine so that it could rival Western powers. Companies of the Sumitomo Group also took the lead in introducing new technologies through joint ventures with overseas corporations on the basis that borders were non-existent when it came to technology, which had to be judged on how good it was. In other words, it was important to accommodate society’s needs and the trends of the day by doing whatever had to be done and cease doing whatever had to be stopped, and also to take the initiative by being quick to embrace new ideas. Sumitomo refers to this as an “enterprising spirit.”

Learning and Gaining Insight from the 400-Year History behind the Sumitomo Business Spirit

While the Business Principles could be said to be, as it were, the essence of Sumitomo business, binding oneself to their every word would be akin to dogmatism (inflexible mentality or stance involving stubborn adherence to a particular set of principles with no regard for circumstance or realities). Philosophy is not about following a course of action because a certain teaching exists, and it is impossible to fully understand philosophy just by reading its text.

Everyone, at some time, finds himself, or herself, unable to decide what to do. At those times, employees might want to look back over the company’s history, using the Sumitomo Business Spirit as a starting point, and see how their forerunners thought and acted, and the outcomes they created. They could gain insight by learning in this way about the conduct of forerunners behind the Sumitomo Business Spirit.

Other Sumitomo Group companies are also globalizing, meaning there are increasing opportunities for employees around the world to hear about the Sumitomo Business Spirit. Employees of the Sumitomo Group overseas, with varying cultures and values, sometimes come forward saying they want to learn about Sumitomo history. They say they want to know about the managers and engineers who have worked for their

company and their contribution to the world. My guess is that many employees can relate to the Sumitomo Business Spirit for the very reason that it contains universal teachings, and that is why they are also interested in how Sumitomo has developed over the years in line with that philosophy.

Sumitomo’s first director general, Saihei Hirose, lived by the words, “Disobeying orders if they are not in the master’s interests—that is loyalty.” What he is saying is that someone truly committed to the nation or the company would argue against orders from a superior if they were unethical or conflicted with the interests of the nation or the company. As all Sumitomo Group employees know, Hirose, as general manager of the Besshi mine during the turbulent years of the Meiji Restoration, opposed the sale of the Besshi Copper Mine ordered by senior management at the head office in Osaka and thereby



▲ Saihei Hirose (Photo: Sumitomo Historical Archive)

contributed to the development of both Japan and Sumitomo.



▲ Teigo Iba (Photo: Sumitomo Historical Archive)

Teigo Iba, the second director general, lived by the motto, “The noble cherish wealth and take the noble way to acquire it.” In other words, people of fine character, while they may cherish wealth, do not deviate from human morals in obtaining that wealth. Corporations are established to generate a profit, so there is no need to be ashamed

about making money. However, profit should be made through open and fair means, with part of it channeled back to society. This is relevant to corporate social responsibility (CSR), too. Iba practiced this policy in addressing smoke pollution at the Besshi Copper Mine by relocating the smelter to Shisaka Island and planting forests in the Besshi hills.

In my opinion, the important question is whether or not the company and individual employees make the effort to search for insight. I believe Sumitomo Group employees are very lucky, because there are 400 years of historical insight right there if they look for it. And it is a history they can be proud of.

Enhancing the Sumitomo Brand as the Fountainhead of the Group in the Style of the Besshi Copper Mine

SMM continues to refine the mining technology developed over 300 years at the Besshi Copper Mine at the Hishikari Mine and has introduced it to development of the Pogo Gold Mine. By persisting with its core mining business, SMM is indeed a fountainhead, so to speak, for the Sumitomo Group. In fact, the Business Principles had a third article:

“As the source of wealth for all generations of the Sumitomo family, the ebb and flow of fortunes of the mining business in the Besshi hills of Iyo Province (now Ehime Prefecture) affects the fortunes of the House of Sumitomo. The business shall therefore refer to past achievements and aim to generate future profits to bring about even greater prosperity.”

This article, outlining the business philosophy of focusing on core business, was omitted in 1927 after the Besshi Copper Mine was removed from direct administration of the Sumitomo family and the Sumitomo Group branched into manufacturing and finance. But I believe this third article stressing the importance of focusing on core business as a fountainhead for the Sumitomo Group is especially relevant to SMM.

I truly hope to see SMM help to enhance the Sumitomo brand by leading the way for the rest of the group, as you would expect of such a fountainhead.



Special Feature 2

The Product Creation Spirit Leading to the World's Highest Level Performance

—Challenges in Developing Positive Electrode Materials for Lithium-Ion Secondary Batteries

SMM produces nickel hydroxide and lithium nickel oxide (LNO) as positive electrode materials for secondary batteries.

Isao Abe, head of the Materials Division's NCA Project Department, was involved in the development of LNO supplied by SMM to Panasonic for use in its lithium-ion (Li-ion) secondary battery with the world's top level of energy density. He helps tell the story of the development.

Starting Development of Battery Materials with SMM Characteristics

In 1991, Sony became the first in the world to commercialize a Li-ion secondary battery, for its Handycam® camcorders. The positive electrode material used in Sony's Li-ion batteries at the time was lithium cobalt oxide (LCO). At around the same time, SMM also commenced development of positive electrode materials for secondary batteries. First, we rushed to develop LCO, the dominant material on the market back then, and even reached the trial mass production stage. But unable to produce characteristic properties, we started exploring the other option open to us—LNO. No other companies had yet tried to develop LNO technology, and its potential for dramatically improving the performance (energy density and cycle life) of secondary batteries had been discovered. Moreover, LNO contains nickel as a primary material, for which SMM has an advantage due to working with it in its mineral resources and smelting and refining businesses. For these reasons, SMM focused on LNO development.

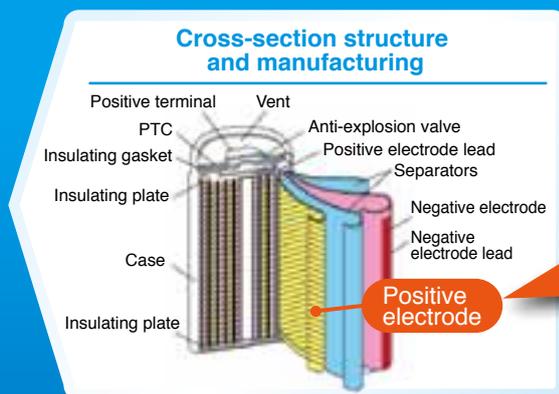
Note: Handycam® is a registered trademark of Sony Corporation.

Mass Production Success and Seeing the Realities

SMM then started on development of LNO for automotive application together with an automotive parts manufacturer. After five years of research and development, we reached the mass production stage. However, the cost of a battery had soared far above what we had envisioned during development. Demand consequently came to only 1/20 of what we had foreseen.

The experience taught Abe how crucial it was for engineers to lower costs while maintaining the same level of performance. He explains, "Saving on costs means not using as many resources, including people, and not using as much energy. It also contributes to competitiveness, as well as to environmental preservation. It doesn't matter how well your product performs to the specs demanded by the customer and society; if it's too expensive, the product won't expand in the market."

Battery Construction And Positive Electrode Materials



LNO is used in the positive electrode





People involved in the development and mass production of positive electrode materials

Overcoming Issues to Achieve Mass Production with Business Partners

It was in 2004 that the head of Panasonic's battery research center approached SMM about developing positive electrode materials for its Li-ion secondary batteries. Price competition in the Li-ion secondary battery market at the time was intense and Panasonic had plans to develop a new high-performance battery as a way to achieve differentiation. Panasonic had already cooperated with SMM on battery positive electrode material development for many years and admired our approach to development and advanced technological capabilities. The company therefore chose SMM to be its partner in developing positive electrode materials for the batteries. And so the challenge began, the companies working side-by-side toward the development and mass production of the battery.

The main technical challenges in realizing mass production of a Li-ion secondary battery using LNO were improvements to charging characteristics and safety. SMM took around two years to develop new technology that would improve the charging characteristics of the positive electrode materials. Meanwhile, Panasonic overcame safety issues using its own proprietary technology. A Li-ion secondary battery with high energy density went on sale in 2006.

Besides overcoming these technical issues, a number of SMM's unique advantages contributed to the success of mass production.

The first was the persistence of SMM's development engineers, including Abe, in insisting upon considerations for future mass production. This was based upon the understanding that a product will only be able to make a contribution to the company, to customers and to society once it can be mass produced, an important point that Abe, too, stressed to his employees.

The second advantage was that SMM smelted and refined nickel from the ore stage and therefore had the ability to secure a stable supply of high-quality nickel needed as the raw material for LNO mass production.

The third advantage was that SMM was already in possession of two key technologies—advanced powder

synthesis technology, used in the materials business, and basic sintering technology, used in the non-ferrous metals business.

The fourth was the sincere attitude toward the pursuit of product creation that came from deep down inside the people who were involved in the battery materials business. This is the attitude of looking out for the tiniest changes happening to the material, which even measuring instruments cannot pick up, and then applying those observations to bring about quality and yield improvements. It is also the attitude of looking to fulfill the constantly changing and mounting requirements of customers in regard to quality, while pursuing the limits of production equipment and using it to the full in order to minimize resource and energy usage.

Panasonic's Li-ion secondary battery, the culmination of all these efforts by the people involved, continues to boast energy density at the world's top level even in 2014, eight years on from its launch. Applications have also expanded from the initial PC domain to electric vehicles, and demand is expected to keep growing.

A characteristic of SMM is that we have three core businesses—mineral resources, smelting and refining, and materials. This nickel-based secondary battery positive electrode materials business takes full advantage of SMM's strengths as a combination of all three.



By mass producing materials the market needs at low cost, I hope we create more employment and thereby make a contribution to the city of Niihama, where I was born.

Isao Abe

Head of the NCA Project Dept., Materials Div.



Effective Use of Resources

Vision for 2020

A company that generates resources using innovative technology

▶ Business development through technologies to process low-grade/hard-to-process ores and recycle materials from urban sources

Perspective	Aim	Target	FY2013 Achievements
Effective use of natural resources	Acquisition and development of new resources	Nickel exploration and development on the Solomon Islands	<ul style="list-style-type: none"> Conducted environmental impact assessments necessary for acquiring mining rights for existing mining zones A lawsuit to finalize rights acquired for new mining zones is currently before the High Court
		Develop the Sierra Gorda Mine (begin production in 2014)	<ul style="list-style-type: none"> Strengthened the management framework and advanced the project
	Effective use of refining technologies to process low-grade/hard-to-process ores	Advance the Taganito Project (start operations in 2013)	<ul style="list-style-type: none"> Started commercial production in October 2013
		Develop mineral processing technology for extracting low-impurity/high-grade copper concentrates from high-impurity copper ores	<ul style="list-style-type: none"> Advanced development of mineral processing technology for separating and recovering copper/molybdenum
	Recover elements besides target metals	Recover raw materials for iron manufacturing from nickel oxide ores	<ul style="list-style-type: none"> Started pilot trials for recovery of chromite from nickel oxide ores Began construction of a pilot facility for recovering hematite from nickel oxide ores as a raw material for iron and steel manufacturing
Recover previously ignored elements in ores besides targeted metals		<ul style="list-style-type: none"> Started pilot trials for recovery of scandium from nickel oxide ore processing 	
Utilization of recycled materials	Establish secondary battery recycling processes		<ul style="list-style-type: none"> Established basic processes for recycling Ni-MH batteries Started on further development of lower-costs processes
		Advance processing of secondary copper raw material at the Toyo Smelter & Refinery	<ul style="list-style-type: none"> Advanced establishment of facilities for processing secondary materials Processed recycled materials almost according to plan
	Advance recovery of valuable metals from secondary materials	<ul style="list-style-type: none"> Examined and introduced intermediate processing technologies for recovering valuable metals from urban mines 	
Effective use of by products	Establish technology for maintaining or improving slag quality		<ul style="list-style-type: none"> Gathered data on slag for JIS revisions to be made via the Japan Mining Industry Association Started studying and testing the impact of ferro-nickel slag on marine ecosystems

Expectations for the SMM Group

What is your evaluation of the SMM Group's activities during FY2013?

The SMM Group is taking active steps toward making effective use of resources. Targets are set and managed for each key area and I believe progress has been made through activities from the previous year. I do, however, feel that more explanation is required about the achievements; for example, specifics about strengthening the management framework for developing the Sierra Gorda Mine. Not everything can be explained in detail, of course, but methods could be found to achieve more effective information disclosure, such as clarifying the significance (materiality) of each activity in relation to the overall activity of the SMM Group and explaining the more significant areas in detail.

In your view, what does society require in regard to the effective use of resources?

One global CSR trend today involves re-examining the entire supply chain from a corporate social responsibility perspective, and there is a growing view that not only the financial value, but also the social value of the entire supply chain needs to be enhanced. Having three core businesses in mineral resources, smelting and refining, and materials makes it all the more important that the SMM Group adopts such an approach involving management of the supply chain. The SMM Group advances activities in each of the core areas—mineral resources, smelting and refining, and materials—with appropriate goals, but it will also be vital to take an integrated approach to determining how to collectively manage the socially important matter of effective use of resources over the value chain as a whole.



Katsuhiko Kokubu
Professor, Graduate School of Business Administration, Kobe University

Basic Approach

SMM Group business centers on the utilization of the Earth's valuable, yet limited, resources. Effective use of resources is therefore considered an important issue for management as we seek sustainable business development. Based on this understanding, the SMM Group has included "effective use of resources" as one of its Six Key CSR Areas and is advancing recycling efforts. As the Vision for 2020 depicts "a company that generates resources using innovative technology," we are developing technologies that will assist with the effective utilization of minerals which have not previously been converted into resources, such as low-grade and complex ores. We are also endeavoring to recover precious and other valuable metals from items such as used home appliances and electronic devices, and develop and refine recovery technologies.

Challenges	FY2014 Plan
<ul style="list-style-type: none"> ● Finalization of rights acquired for new mining zones and unified development of new and existing mining zones 	<ul style="list-style-type: none"> ● Quickly reach a resolution of the lawsuit relating to new mining zones where mining rights have been acquired ● Commence exploration of new mining zones where mining rights have been acquired
<ul style="list-style-type: none"> ● Production to commence in 2014, as indicated in revised plans 	<ul style="list-style-type: none"> ● Complete the plant and start operations
<ul style="list-style-type: none"> ● Establishment of a system for full production 	<ul style="list-style-type: none"> ● Move into full production
<ul style="list-style-type: none"> ● Building upon technology for separating copper/molybdenum and application to mines 	<ul style="list-style-type: none"> ● Continue basic tests to improve separation
<ul style="list-style-type: none"> ● Establishment of processes for a pilot-scale operation 	<ul style="list-style-type: none"> ● Establish processes for chromite recovery ● Start operations and establish processes at the iron recovery pilot plant
<ul style="list-style-type: none"> ● Establishment of processes for a pilot-scale operation 	<ul style="list-style-type: none"> ● Verify processes and carry out trial production at the pilot facility
<ul style="list-style-type: none"> ● Establishment even more efficient recycling processes 	<ul style="list-style-type: none"> ● Develop low-cost processes
<ul style="list-style-type: none"> ● Further promotion of copper recovery and processing 	<ul style="list-style-type: none"> ● Further promotion of copper recovery from secondary materials
<ul style="list-style-type: none"> ● Increasing processing capability 	<ul style="list-style-type: none"> ● Formulate a plan for increasing processing capability
<ul style="list-style-type: none"> ● JIS revisions relating to copper/ferro-nickel slag for concrete to be made via the Japan Mining Industry Association 	<ul style="list-style-type: none"> ● Cooperate on drafting JIS revisions

Subcommittee Chairman's Comment

Progress in FY2013

In FY2013, the development of copper resources at Sierra Gorda, Chile, and nickel production in Taganito, in the Philippines, were projects of high significance. The key here is the development of technology for recovering as many valuable metals as possible from low-grade ores and putting them to effective use. For example, besides establishing technology for economically recovering the mere 1% nickel content from nickel ores, we have started operation of a pilot plant in the Philippines where we carry out verification testing of technology with the aim of recovering as much of the 40% iron and 1-2% chromium content in residues. Employing our own original technologies to make effective use of resources is the very heart of our business, and we believe that we can both contribute to society and enhance our corporate value by pursuing this in a sincere manner.

Response to Stakeholder Comments

Making effective use of resources along the entire supply chain is another issue we must consider. Nickel extracted from ores is used to make lithium nickel oxide, a cathode material for secondary batteries used in automobiles. We have developed technology and worked with customers to establish a system for recycling, allowing us to retrieve materials from batteries that have reached the end of their lives and turn them into new resources. We will continue our efforts to consider resource recycling looking at the entire supply chain and will keep exploring the potential for new activities.



Harumasa Kurokawa
Chairman, Efficient Resource Utilization Subcommittee;
Managing Executive Officer;
General Manager, Technology Div.



Initiatives for Effective Use of Resources

Environmental Impact Reductions from Effective Utilization of Resources

Slag as a Recycled Material

Copper slag is a by-product produced during smelting at the Toyo Smelter & Refinery, which manufactures electrolytic copper. The main use for copper slag (almost two thirds of the total volume) is cement production in Japan and overseas. With an iron content of around 40%, copper slag is widely used as a source of iron for cement. Copper slag output in FY2013 was around 786 kilotons. The volume of copper slag sold was around 948 kilotons.

Hyuga Smelting manufactures ferro-nickel, a material used in stainless steel. It generated around 849 kilotons of ferro-nickel slag in FY2013. Around 763 kilotons of ferro-nickel slag was sold as a recycled material, its main destination being blast furnaces for steelmaking. With magnesia content of around 30%, ferro-nickel slag is used as a source of magnesia for blast furnace flux. By taking advantage of their respective features, both copper slag and ferro-nickel slag are also used as substitutes for natural sand in concrete aggregate and public works in ports and harbors.

Zero Emissions Initiatives at Ome District Division

Supply chain management is indispensable for achieving zero emissions¹. Instead of limiting efforts to minimizing industrial waste emissions during the production stage, primarily through the design of environmentally-friendly production processes, we must also ensure that considerations toward the environmental impact of consumption and disposal are incorporated into the selection and production processes for raw materials.

The Ome District Division has been pursuing environmental impact reductions through waste reduction since FY2001. Zero emissions were achieved in FY2003 as the division collaborated with a number of other companies to recycle waste into resources, and this status has been maintained since (except for FY2006).

Employees are highly committed to waste reductions and their efforts in support of thorough waste sorting and recycling contributed to continued zero emissions in FY2013, with 0.006% of waste disposed in landfills.

1. Zero emissions:
When less than 1% of total waste is disposed in landfills.
Landfill disposal rate=volume of waste disposed in landfills/total volume of waste disposed × 100

Making Effective Use of Low-Grade Ores

The plant of Coral Bay Nickel Corporation (CBNC)² commenced full-scale operations in April 2005. Adjacent to the plant, the Rio Tuba Nickel Mining Corporation nickel mine has excavated nickel oxide ore since its opening. However, while high-grade nickel oxide ore buried deep in the earth was being mined, low-grade nickel oxide ore with low nickel content existing close to the surface was not extracted. Because this low-grade nickel oxide ore is said to make up around 70% of all nickel oxide ore resources worldwide, there was global demand for the development of technology that would allow it to be processed.

Recovering nickel from this low-grade nickel oxide ore requires the use of high-pressure acid leaching (HPAL), a hydrometallurgical technique. Large-scale production using this process demands a high degree of equipment engineering and operational skill. Industry players the world over had been struggling with application of HPAL technology, but SMM overcame many technical hurdles to become the first company in the world to successfully apply HPAL technology to commercial production. Turning previously unusable low-grade ore into resources also has tremendous social significance.

In order to make full use of this HPAL technology, SMM embarked on its Taganito Project in 2009. The project entails the construction, in the Taganito District on Mindanao Island in the Philippines, of a large HPAL process plant with an annual production of 30 kilotons of nickel. The project has been progressing well, and operations got underway in autumn 2013.



▲Piles of low-grade ore at the Rio Tuba Nickel Mining

2. CBNC: Capital: 587.5 million Philippine pesos. Shareholders: Sumitomo Metal Mining Co., Ltd. (54%), Mitsui & Co., Ltd. (18%), Sojitz Corp. (18%), Rio Tuba Nickel Mining Corp. (10%). Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines.

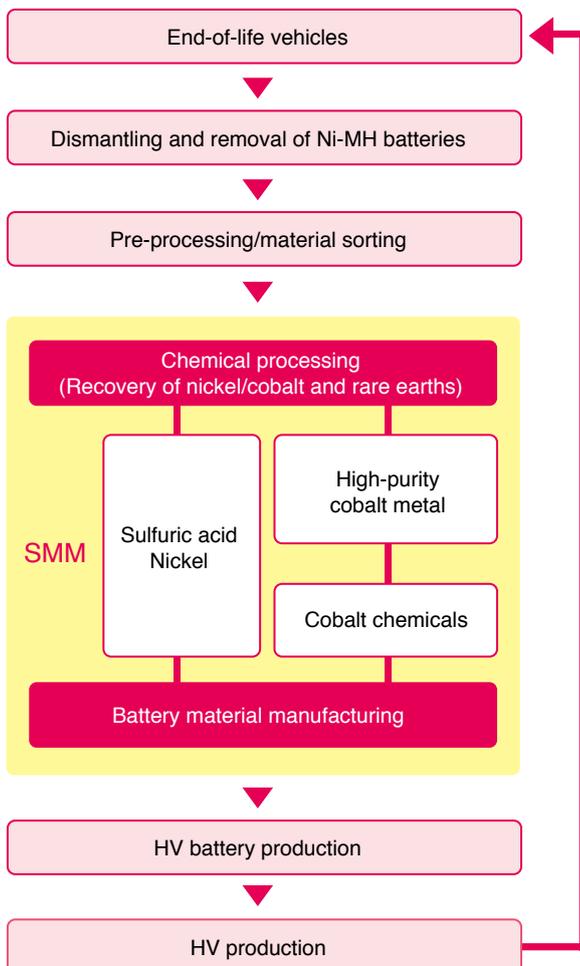
Recycling of Nickel Metal Hydride Batteries

SMM is engaged in the manufacture and sale of positive electrode materials for the nickel metal hydride (Ni-MH) batteries employed in hybrid vehicles. Since FY2000, we have also been conducting research into the recycling of Ni-MH batteries. With the growing popularity of fuel-efficient hybrid vehicles, demand for Ni-MH batteries, an essential component, has jumped.

SMM anticipated the launch of a used Ni-MH battery collection and recycling operation, and therefore, in 2010, it commenced the recycling of nickel electrode plates at its Niihama Nickel Refinery, becoming the first company in the world to realize “battery to battery” recycling.

By applying nickel manufacturing technologies to the recycling of materials, we are working to ensure effective use of resources and thereby contribute to environmental preservation.

■ Ni-MH Battery Recycling: Flow Diagram



Using Resources Effectively through Recycling

Besides procuring copper, zinc and precious metal scrap from scrap dealers, the SMM Group recovers precious metals and other valuable metals from electric arc furnace dust, used printed circuit boards and other such items.

In FY2013, the processing of secondary copper materials and electric arc furnace dust was on par with FY2012, as was the recycled materials ratio at about 3.5% (see Table 1).

Recovery and recycling of copper and its alloys was readily pursued even before the 3Rs (Reduction, Reuse and Recycling) were advocated because of their high scrap value. All the copper shavings are recycled as raw material by manufacturers of electric cables and wrought copper and copper alloy products.

Similarly, SMM collects waste cables and used copper pipes and converts the copper into new resources. The output of electrolytic copper from recycled copper materials in FY2013 was approximately 68 kilotons, accounting for 17.2% of total output, which was a slight increase from FY2012 (17.0%).

As for zinc materials, the Harima Smelter produces prime western grade zinc using crude zinc oxide produced from processing electric arc furnace dust at Shisaka Smelting as the raw material.

■ Table 1 Ratio of Recycled Materials Used

FY	2010	2011	2012	2013
Total volume of materials used (kt)	6,861	7,107	7,731	7,850
Recycled materials (kt)	204	218	263	271
Recycled materials ratio (%)	3.0	3.1	3.4	3.5

Oxide Ores Only

In April 2012, Harima Smelter switched to an oxide ores only operation to reduce waste and promote recycling. This involved smelting zinc metal without imported sulfide ores through the processing of only recycled oxide ore materials.

The oxide ores used mainly consist of zinc and other materials which group company Shisaka Smelting recovers through the processing of dust generated by steel manufacturers that operate electric furnaces. Using such recycled materials, Harima Smelter has introduced technology for manufacturing zinc material using the imperial smelting process (ISP), a method for simultaneous smelting of lead and zinc, and is working to improve the efficiency of operations.

The Harima Smelter will continue working to reduce waste in Japan and contribute to society through the recovery and recycling of zinc and other valuable metals.



Effective Use of Resources

Making Effective Use of Low-grade Ores

SMM uses a hydrometallurgical technique called HPAL¹ to recover nickel and cobalt from low-grade nickel oxide ores. SMM was the first company in the world to commercialize the HPAL technique, making it possible to turn previously unused piles of low-grade nickel oxide ore into resources. At present, SMM is conducting operations using the HPAL technique at two facilities: Coral Bay Nickel Corporation (CBNC)² on Palawan Island in the Philippines, and Taganito HPAL Nickel Corporation (THPAL)³ on Mindanao Island in the Philippines.

- 1. High Pressure Acid Leach (HPAL): A method used to extract nickel and cobalt using sulfuric acid in a high-temperature, high-pressure autoclave (pressure vessel).
- 2. Coral Bay Nickel Corporation (CBNC)
Capital: 587.5 million Philippine pesos. Shareholders: Sumitomo Metal Mining Co., Ltd. (54%), Mitsui & Co., Ltd. (18%), Sojitz Corp. (18%), Rio Tuba Nickel Mining Corp. (10%). Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines.
- 3. Taganito HPAL Nickel Corporation (THPAL)
Capital: 4,095 million Philippine pesos. Shareholders: Sumitomo Metal Mining Co., Ltd. (62.5%), Nickel Asia Corporation (22.5%), Mitsui & Co., Ltd. (15%). Head office: Manila, Philippines.

Recovery of Nickel at THPAL



▲View of THPAL

The THPAL plant was completed in Taganito in the Philippine province of Surigao del Norte in June 2013 as SMM's second HPAL plant, after about three years of construction.

The raw material used at the plant is low-grade nickel oxide ore which had previously been underutilized. Using the HPAL technique to turn this ore into resources also has tremendous social significance.

Initially after startup, the plant went through various kinds of hardships in establishing operating conditions suited to the properties of the Taganito ore, but thanks to the united efforts of Japanese and Filipino workers, these hardships were overcome, and now the plant is operating smoothly.

By analyzing the operations of each process, we plan to establish ideal operating conditions in an effort to achieve even higher rates of nickel recovery.

As a way of helping to support the future of earth and humankind, we hope to further refine the HPAL technology so that we can utilize earth's limited resources even more effectively.

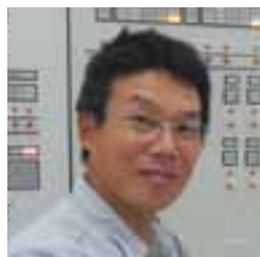
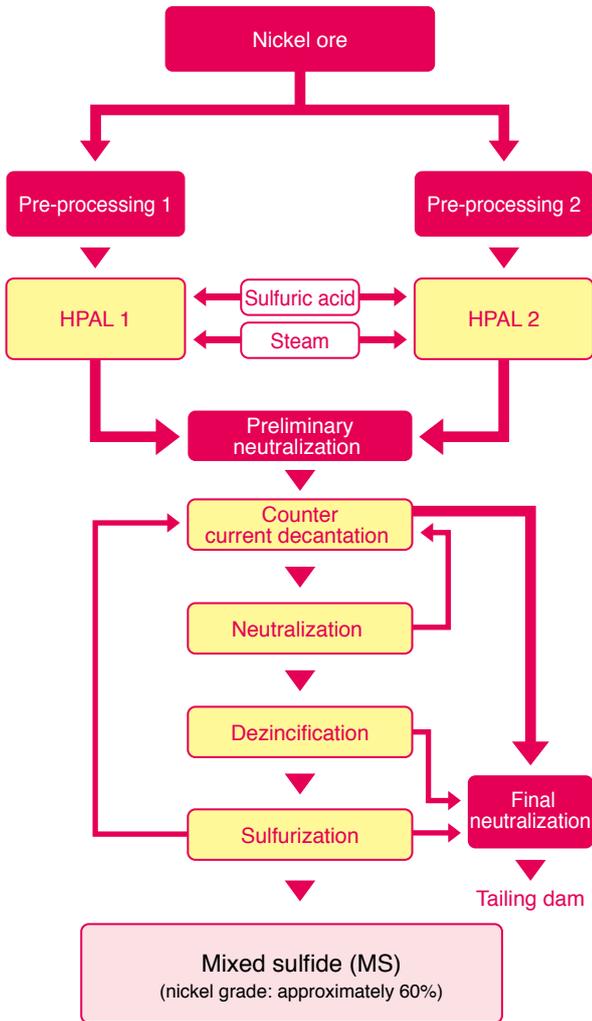


I am in charge of general affairs. One of my hobbies is to make pilgrimages to famous temples, and when I do, I make it a point to donate some money, albeit a small amount, to benefit society.

In addition, through the Red Cross Society of China, I will continue donating to organizations that provide direct medical care to people in China who are confronting crises such as natural disasters and poverty.

Chen Ci Qing Shanghai Sumiko Electronic Paste Co., Ltd. (SEP)

Processes in HPAL Manufacturing



Manabu Enomoto
 Manager
 Production Department
 Taganito HPAL Nickel Corporation

Using Resources Effectively through Recycling

Besides procuring copper and precious metal scrap from scrap dealers, the SMM Group recovers precious metals and other valuable metals from electric furnace dust, waste circuit boards, and other such items.

Collection of Precious Metals from Urban Mines



▲Some of the recycled material

Within the Precious Metal Recycling Department at Ohkuchi Electronics Co., Ltd., we believe that promoting the recycling of non-renewable resources⁴ is our social mission. As such, our operations are focused on the recovery of precious metals from home appliances and electronics components. The predecessor to our business, Ohkuchi Kinzan, was engaged in recovering gold from ore excavated from mines, from the Meiji period through to the Showa period. It literally brought a “golden age” to the Ohkuchi district. Having inherited the technical strengths cultivated in that age, we use acids and alkalis to efficiently recover and enrich precious metals from various source materials collected from all over Japan, after which we ship the unrefined precious metals to the Toyo Smelter & Refinery. Viewed from the perspective of *urban mines*, Japan is one of the world’s leading resource-rich nations. But as electrical appliance manufacturers endeavor to reduce their costs and as they advance their technologies, the amount of precious metals used in home appliances and electronics components is decreasing, and thus the form and sources of the materials we collect will also change. Amid such a situation, we will make our business contribute even more to society by improving our recovery efficiency, including by changing our processes.

4. Non-renewable resource: A resource that decreases the more it is used, that is, a resource that decreases by the rate it is used and whose growth is slow.



Kazunari Maeba
 Manager, Technology Section,
 Precious Metal Recycling Department
 Ohkuchi Electronics Co., Ltd.

My Way of Doing Good



I am the General Manager of the Administration Department. As a result of our company providing water tanks to the Taira Atacama⁵ community, the local people were able to run accommodation facilities and earn an income. Thanks to these activities, we gained a better understanding of other, and we came to be recognized and respected as a responsible company.

5. A reservation for indigenous people in northern Chile. There is housing for SMM employees here, and it is an important base for promoting mining projects in northern Chile.

Enrique Castro SMM Chile



Environmental Preservation

Vision for 2020

A company that meets international anti-global warming standards by using advanced technologies

- ▶ Zero industrial waste emissions
- ▶ An expansion of material business concerning products with low environmental impact (creating, storing, and saving of energy)

Target	FY2013 Achievements
<ul style="list-style-type: none"> ● Continue reducing unit energy consumption by 1% compared to the previous year ● Reduce CO₂ emissions by the entire SMM Group 	<ul style="list-style-type: none"> ● In the smelting and refining divisions, implemented energy conservation measures equivalent to 0.8% of their energy consumption; and in other divisions, implemented energy conservation measures equivalent to 1.5% (total reduction effect = 4,334 kl/year (crude oil equivalent), 11 kilotons/year (CO₂ equivalent)) ● Unit energy consumption of the SMM Group in Japan worsened by 3.1% from FY2012 levels due to such factors as a degradation of the metal in raw material ore and a scheduled suspension of operations ● Began collecting standard unit energy data at overseas workplaces in order to include their unit energy consumption in the Group aggregate from next fiscal year ● Launched a Working Group to Combat Global Warming, and began conducting studies and surveys on reducing CO₂ emissions ● The Technology Division conducted business site patrols (of workplaces designated for energy management), and the Engineering Division provided support (for projects included in the three-year investment plan)
<p>Reduce final disposal of industrial waste to zero</p> <ul style="list-style-type: none"> ● Further expand sales of iron pellets ● Advance recycling of precipitate from wastewater treatment at Toyo Smelter & Refinery 	<ul style="list-style-type: none"> ● Although sales targets were met for iron pellets—which are a residue consisting primarily of the iron remaining after recovering and recycling zinc from steel dust—new customers for the pellets could not be secured ● In order to utilize the Recycling Certification System implemented by the Ministry of the Environment to promote the recycling and reduction of waste, iron pellets were evaluated by an authorized operator, and as a result it was confirmed that they are recyclable ● The processing facility for promoting the recycling of wastewater precipitate from the Toyo Smelter & Refinery was completed, and began operating in July
<p>Expand sales of materials used in products with a low environmental impact (1.7 times base year sales; base year: 2011)</p>	<ul style="list-style-type: none"> ● Achieved plan, with sales reaching 1.7 times base year
<p>Advance biodiversity preservation initiatives</p>	<ul style="list-style-type: none"> ● Prepared a pamphlet for deepening people’s understanding of biodiversity, and distributed it to all group employees in Japan ● Endeavored to reduce environmental impact at each workplace by implementing an EMS ● At CBNC, adopted comprehensive water management, and promoted an initiative to supply drinking water to the communities surrounding the plant; also conducted environmental measures at CBNC and THPAL together with upstream businesses

Expectations for the SMM Group

What is your evaluation of the SMM Group’s activities during FY2013?

Topics have been set in accordance with the Group’s business characteristics, and on the whole, a high level of activity has been conducted. In addition to a high degree of environmental management, SMM’s characteristics have been expressed well, for instance, in aspects where your main business has direct bearings on environmental preservation, as observed in the sale of materials for products with low environmental impact. Although it was unfortunate that your unit energy consumption worsened during FY2013, what stood out for me was SMM’s approach of actively working to reduce CO₂ emissions even as your business expands. You also raise the challenge of considering the effects of reductions in CO₂ emissions from many aspects, not just in terms of investment profitability. I look forward to seeing the progress in your characteristic approach of generating considerable environmental benefit through your products.

In your view, what does society require in regard to environmental preservation?

You have covered the major issues concerning environmental preservation as viewed on a company and group basis. Besides the initiatives in your respective mineral resources, smelting and refining, and materials businesses, I think there will be a growing call for you to demonstrate the outcomes SMM provides to society from a more comprehensive perspective of the whole material cycle. I would like to see you present to society a broader form of your *Vision for 2020* that also includes upstream and downstream effects.



Keisuke Takegahara

General Manager,
Environmental Initiative & Corporate
Social Responsibility-Support Dept.,
Development Bank of Japan Inc.

Basic Approach

Many potentially harmful substances are handled by SMM Group businesses during mineral resource processing and manufacturing. Even a small accident carries the risk of seriously affecting local people and the environment. In order to ensure that this risk never materializes, SMM Group emphasizes the need to prevent contamination by supplying equipment and management systems, and by providing training for relevant staff members.

Every year, drills are held in order to learn how to minimize the effects and prevent external impacts in the unlikely event an incident did occur. We have also worked to improve facilities, and we are installing a system that automatically shuts off the discharge if any abnormalities are detected just before the wastewater port. We will continue to control environmental risks properly and to strengthen our activities toward risk reduction.

Challenges	FY2014 Plan
<ul style="list-style-type: none"> ● Develop strategy for reducing CO₂ emissions ● Promote investment for energy-saving themes 	<ul style="list-style-type: none"> ● Propose CO₂ reduction strategy schemes to management <ul style="list-style-type: none"> • Examine CO₂ reduction target levels and an environmental governance framework, etc. that are required of SMM by society • Consider revising the energy-saving goals and the criteria for determining investment profitability • Consider contributions in renewable energy and the feasibility of offsets and other initiatives ● With regard to energy-saving themes in the 3-Year Business Plan, examine measures for improving investment profitability based on application of the latest energy-saving technologies ● Carry out energy conservation measures planned by individual divisions
<ul style="list-style-type: none"> ● Recycle iron pellets utilizing the Recycling Certification System 	<ul style="list-style-type: none"> ● Reduce final disposal by recycling iron pellets utilizing the Recycling Certification System
<ul style="list-style-type: none"> ● Develop increased production capacity 	<ul style="list-style-type: none"> ● Facilitate launch of facilities capable of increased production ● Expand sales of materials used in products with a low environmental impact (FY2014 target: 3.3 times base year sales; achieve FY2020 target value ahead of schedule)
<ul style="list-style-type: none"> ● Link an appreciation for biodiversity to specific initiatives 	<ul style="list-style-type: none"> ● Conduct briefings when visiting each Group workplace in Japan to foster a greater understanding of biodiversity ● Hold seminars on biodiversity for management and senior staff ranked at division general manager level, and link that awareness to specific initiatives ● Continue measures for alleviating environmental impact (reduce emissions of chemical substances, conduct comprehensive water management) ● Check the implementation of environmental management based on international standards

Subcommittee Chairman's Comment

Progress in FY2013

Measures dealing with the issue of global warming, such as those promoting the conservation of energy, are an important social responsibility that companies ought to fulfill. Nevertheless, there are getting fewer and fewer highly effective energy-saving measures in which investment decisions can be made based primarily on business profitability, and in FY2013 alone, our unit energy consumption ended up worsening in part due to the effects of a scheduled suspension of operations. Going forward, I believe we should promote investment decisions that consider a variety of merits on a comprehensive, company-wide basis. As for products that contribute to energy savings, our products, including wiring materials used in LED lighting and other applications, have been recognized for their high efficiency, and have become more widespread during FY2013. Also, our positive electrode material for secondary batteries is being used in new electric vehicles, and sales are growing.

Response to Stakeholder Comments

While I agree that environmental impact assessments of the entire material cycle are important, since we are an upstream business, it is quite difficult to conduct such assessments. As for our scope for reducing CO₂ emissions further, we are studying the possibility of conducting assessments using a simplified method based on coefficients for each product application. We are also considering utilizing renewable energy in collaboration with other companies. In order to contribute to the promotion of energy conservation in society as a whole, we are exploring various possibilities that can make use of our energy-saving technologies.



Takashi Sugiura
Chairman, Environmental Preservation Subcommittee,
Executive Officer, CSR Executive Officer,
General Manager, Safety & Environment Control Dept.



Initiatives in Environmental Preservation

Business Site Organizations

Every year, the President sets targets (SMM Group environmental targets) in consideration of the environmental risks faced by the SMM Group. In response, business sites and Group companies of each business division integrate these targets into their environmental management systems established according to the ISO 14001 standard.

In FY2013, the following themes were indicated in the President's targets:

- Environmental risk reduction
- Environmental compliance
- Biodiversity preservation
(environmental impact reduction, comprehensive water management, environmental management based on international standards)

Given these themes, each business site set targets in view of their own environmental risks, before formulating plans. They then regularly checked their progress against the plans, and while adding revisions where necessary, sought to raise the level of their environmental preservation.

In the Niihama District, where the SMM Group's largest production bases are located, the Safety & Environment Control Center (Besshi-Niihama District Division) provides guidance to business sites located within the district on their initiatives for environmental management. The center also provides support for group business sites located within the local region, such as by regularly holding meetings for the exchange of information.

Furthermore, every year, the heads of every division that exercises control over business sites, inspect those business sites (including Group companies) to check whether environmental management is being implemented appropriately. In the Materials Division, the Safety & Environment Control Department has been established to provide the business sites under its control with support and guidance on environmental management.

As for environmental management systems which serve as the basis for environmental preservation activities, based on the Corporate Reform Plan announced in April 2000, the Group's basic policy is to acquire ISO 14001 certification. Accordingly, Head Office, branches and all production bases and sites responsible for closed and suspended mines in the SMM Group have acquired certification. In addition, any new production bases are also required to acquire certification as quickly as possible. In FY2014, we plan to acquire certification for the Pogo Mine in Alaska.

Support for Business Sites

The SMM Group handles large amounts of chemical substances during the manufacturing of products, particularly in smelting and refining operations, and for that reason some business sites bear considerable environmental risk. Environmental care activities involving visits to these sites to check up on initiatives for lowering the risk of environmental accidents have been carried out since FY2008.

As part of these environmental care activities, the Safety & Environment Control Department performs detailed checks of management and on-site conditions, and identifies issues and recommendations. These checks are conducted based on checklists to see whether there are any outstanding issues relating to, for example, the environmental management organization for the prevention of pollution, the procedures for managing chemical substances and the operation of those procedures, environmental compliance including the legal obligation to use best efforts, and performance for biodiversity preservation. The findings are compiled into a report in order to share any issues with the site representatives and heads of related divisions. The business site considers countermeasures, and links them to improvements in

the level of environmental management.

In FY2013, in addition to overseas workplaces, it was decided to also include those business sites judged to have only a small environmental risk in the group of sites to visit for environmental care once every three years. As a consequence, checks were undertaken at 27 business sites.

As a new initiative from FY2013, it was decided to also make close-call events subject to reporting to the Safety & Environment Control Department, when it exceeds voluntary standards and/or has an effect on operations. In the event of an incident, in addition to providing advice after checking the causes and the response taken, efforts were also made to prevent similar close-call events from occurring, such as by alerting each business site in the SMM Group where necessary and requiring them to check and report back on their management situation, and by encouraging corrective action to be taken if factors were potentially present similar to those that caused the incident.

Environmental Education

The Safety & Environment Control Department seizes every available opportunity to provide environmental education, such as at the time of employment or promotion, when major revisions are made to laws, and when providing regular education to persons in charge of chemical substances at each division. The department also encourages employees to acquire official environment-related qualifications, such as those for a pollution control manager, in a systematic manner while also taking their future careers into account.

On-site Introductory Education

Introductory education is provided at business sites to raise awareness among new recruits, helping them to realize the importance of environmental preservation and to recognize the direct influence that their day-to-day tasks have on environmental matters.

After placement in their respective workplaces, employees undergo systematic education programs that are determined according to the education and training needs of each workplace. Programs might include basic rules on disposing trash, the hazardous properties of the chemical substances handled in practice, work procedures for preventing those chemical substances from having an impact on the environment, emergency procedures in an environmental accident scenario, as well as each workplace's activities for environmental preservation and the roles of those activities. Practical emergency drills are also run regularly.

Environmental e-learning

In the second half of FY2008, an e-learning course on Japan's main environmental laws was introduced with the objective of raising levels of compliance. Since then, the course has been updated to reflect amendments of the law, ensuring that it can be used for learning, education and confirming regulations. In FY2013, about 70 newly appointed internal environmental auditors and others completed the course.

The main focus of this e-learning course is for participants to understand the key legal obligations relevant to the SMM Group's businesses. In FY2013, a new e-learning course was established with a focus on understanding the underlying spirit of the law and about the best effort obligation. In FY2014, participation in this course will be widely promoted, especially to internal environmental auditors and to managers and supervisors involved in environmental management.

Internal Environmental Audit Seminars

The Safety & Environment Control Department provides in-house education programs for training internal auditors, who play a central role in environmental management activities, taking responsibility, for example, for performing internal audits of their

respective divisions.

In the course for qualifying as an internal environmental auditor, participants who pass a final examination after completing the two-day curriculum become certified auditors. In FY2013, the course was held nine times, providing training to a total of 127 participants. This brings the cumulative total number of trained internal environmental auditors to 2,422.

A professional development course was launched in FY2010, designed for already qualified internal environmental auditors. This is a one-day curriculum aimed at developing key persons in environmental management. In total, 84 people have completed the course, but in FY2013, the course was only run once and there were only nine participants. Increasing the number of participants is a challenge.

Management of Chemical Substances

Given the countless situations in which chemicals are handled in the SMM Group, all business sites have their own system for managing chemical substances within their environmental management system, which is operated under the direction of the relevant division. For example, when a business site intends to use a new chemical, it conducts a preliminary study including on hazard statements, laws and regulations and other applicable information, before deciding in a meeting at the business site whether to adopt the chemical. The relevant business division and the Safety & Environment Control Department provide the business site with preliminary advice and confirmation (see Fig. 1). Furthermore, regardless of whether there are legal obligations, information on the safe handling of the chemical is communicated for all chemicals that are transferred or provided to customers or to other business sites within the SMM Group by attaching an SDS¹ that conforms to GHS².

Semiconductor materials and advanced materials produced by the SMM Group, such as those used in products with low environmental impact, are incorporated by our customers into electrical and electronic products and circulated widely to domestic and foreign markets. Therefore, as part of our value chain activities, we require information on the chemical substances contained in the raw materials we use, and we manage the chemical substances contained in our products.

When developing a new material, we strive to develop a material that can be used by our customers with peace of mind, by taking into account the hazardous properties of the substances contained in our products, and by undertaking a series of reviews about various development topics, such as the regulations in Japan and overseas that apply to the final product, and the environmental impact throughout the manufacturing process.

Some of the SMM Group's semiconductor material and

advanced material products are ultimately exported to the European Union (EU), contained within customers' products via the value chain. Since the RoHS Directive³ and REACH Regulation⁴ have already come into force in the EU with an aim of safeguarding human health and the environment, our products also comply with these.

Under the RoHS Directive, electrical and electronic devices marketed in the EU are effectively prohibited from containing the following six substances in any smallest part that could be separated from the device—lead, mercury, cadmium, chromium (VI), polybrominated biphenyl (PBB) and polybrominated diphenyl ethers (PBDE). Two examples of how we have worked to comply with the RoHS Directive are our solder products and one of our core products, pastes that use resistive glass. We developed lead-free products, and have successfully migrated from the conventional products.

As indicated by the expression “no data, no market,” the REACH Regulation uses a system of registration. For some products, the SMM Group attaches great importance to distribution in the EU, and we are gradually getting these products registered by an “only representative” in order to ensure a stable supply without having to rely on registration by importers in the EU.

1. SDS (Safety Data Sheet): A document listing information on a chemical, including the chemical substance, the product name, the supplier, hazards, safety precautions and emergency procedures.
2. GHS (Globally Harmonized System of Classification and Labeling of Chemicals): A system for classifying chemical hazards according to type and degree and in accordance with globally unified rules, whereby the hazards are communicated by displaying labels or providing SDSs.
3. RoHS Directive: The Restriction of Hazardous Substances Directive.
4. REACH Regulation: The Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

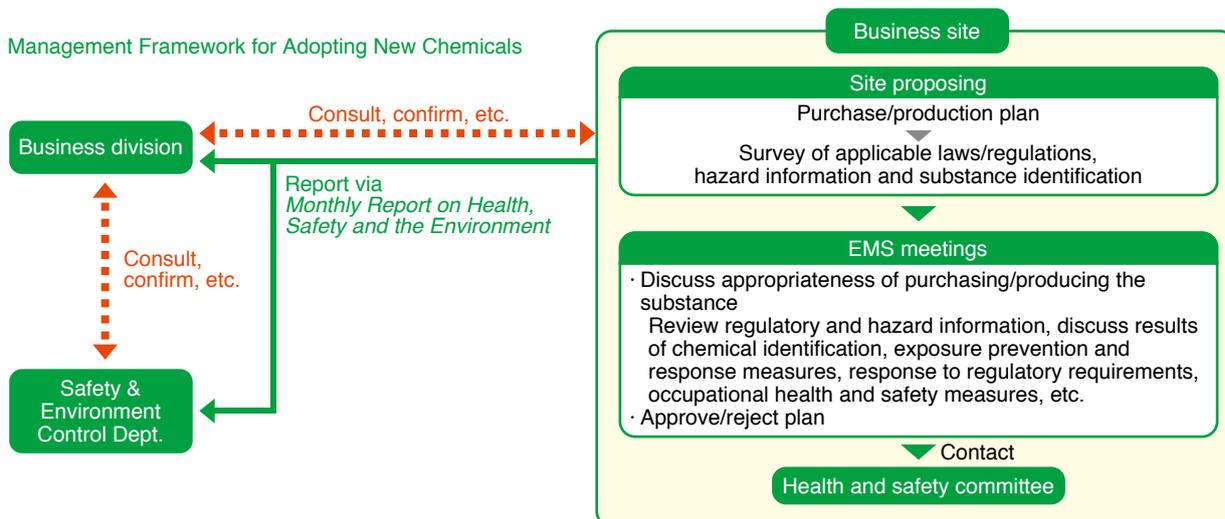
Issues and Targets

No major spills or environmental infringements (against international treaties, covenants, laws or ordinances) occurred during FY2013.

However, close-call environmental incidents are still occurring, such as on-site leaks of chemical substances, and the current management situation still has many issues needing improvement.

By ensuring that business sites follow a cycle of PDCA for their respective environmental management systems, they will continue to raise the level of their respective activities for environmental risk management, environmental compliance and biodiversity preservation. In addition, related divisions, the Safety & Environment Control Department and the Safety & Environment Control Center (Besshi-Niihama District Division) will also continue initiatives providing support and guidance for improving the level of environmental preservation activities at business sites.

■ Fig. 1 Management Framework for Adopting New Chemicals





Initiatives in Global Warming Control (Indirect Effects of Biodiversity)

Basic Approach

SMM views climate change due to global warming as a threat to the planet's biodiversity and a serious risk to SMM Group business activities. SMM aims to become "a company that meets international anti-global warming standards by using advanced technologies," as stated in our Vision for 2020. The company is focused on reducing CO₂ emissions generated by business activities.

Our main objective in FY2013 was to promote energy conservation activities with the targets of reducing CO₂ emissions across the entire Group and 1% year-on-year reduction in unit energy consumption, that put forward for environmental preservation, one of the Six Key CSR Areas.

We also put in place an energy management framework, applicable to the entire Group, in line with CSR objectives and in response to 2008 revisions to the Act on the Rational Use of Energy, which obliges business operators to manage energy consumption. Energy management meetings and patrols of each business facility are being conducted mainly by the Technology Division with the goal of stimulating energy conservation activities.

Initiative Examples

February is designated by the government as Energy Conservation Month. Various events relating to energy conservation are held, including the presentation of the Energy Conservation Grand Prize and other awards for outstanding energy-saving activities. In FY2013, Hishikari Mine received the Director-General of the Kyushu Bureau of Economy, Trade and Industry Award in the Kyushu region, and the Shimbashi Sumitomo Building (Head Office) received the highest award from the Kanto District Electricity Use Rationalization Committee in the Kanto region.

(1) Hishikari Mine

In 1997, the Hishikari Mine became Japan's most productive gold mine (83.1 tons). In 2012, gold output reached 200 tons, and currently, ore is mined at a rate equivalent to 7.0 tons of gold per year (FY2013 actual yield). The Hishikari Mine aims to be "a clean and bright underground operation" that gives top priority to safety, and "a mine that is in harmony with the wonderful natural environment and which is loved by the local community."

Given that thermal spring water measuring about 65°C flows within the veins of the ore, when mining the ore, the level of the thermal spring water needs to be lowered below the mining level. To achieve this, water is pumped at an average rate of 9 m³/min, from a drainage facility 50 meters below sea level to the pithead located 265 meters above sea level. Furthermore, because inside the mine is high in temperature and humidity, ventilation and power for local cooling are needed to improve the work environment. The drainage facility (about 35%) and the environmental improvement equipment (about 50%) account for the majority of power consumption. Therefore, the mine has adopted a basic policy of "improving the work environment and striving to conserve energy; using wisdom and ingenuity to achieve targets without any waste or unreasonable burden." Based on this policy, the mine has promoted initiatives with an emphasis on the inclusive participation of all employees.

The award covered the three-year period from FY2010 to FY2012, and during this time, the mine improved its unit energy consumption by 9.7%. It did this through careful operational management of its key facilities, including the introduction of inverters for the drainage facility and other equipment in the mine and the active installation of LED lighting. The mine also endeavored to use less electricity, primarily by concentrating its

areas of operation within the mine, and it managed to reduce its peak power usage by 12.5%.

Currently, key tunnels and shafts stretch more than 100 km in length, and in order to develop deeper levels of ore, work has commenced on digging access tunnels so that a new drainage facility can be constructed 80 meters below sea level. As a consequence of widening and deepening these tunnels though, the energy needed for drainage and environmental improvement has tended to increase.

In FY2013, our efforts focused on improving the cold water circulation system used for local cooling inside the mine. Going forward, our efforts will focus on reducing the amount of energy used in environmental improvements, with particular attention paid to optimizing (concentrating) the mining areas. We will move ahead with plans that take into account a balance between work environment, production output and energy conservation.



▶Hishikari Mine

(2) Shimbashi Sumitomo Building (Head Office)

The Head Office building, which was constructed 32 years ago, has undergone a gradual renewal since 2008, with deteriorating facilities being replaced with the latest energy conservation facilities. The two absorption refrigeration systems installed in 2008 made a great contribution to summertime air conditioning power reduction after the Great East Japan Earthquake in 2011.

In FY2011, we replaced the twin fluorescent tube lights used in offices with energy-saving single lights with reflecting panels. Other measures to save power included installing LED lighting in the underground parking lot. In recognition for these measures, we received an award of excellence in FY2012 from the Kanto District Electricity Use Rationalization Committee, Japan Electric Association Kanto Branch.

Along with the continued introduction of low-energy lighting, air conditioned hot and cold water pumps and air handling inverters were also installed in FY2012. In recognition for these measures, in FY2013, we received the highest award from the above committee.

As a result of the FY2012 measures, in FY2013, we reduced our energy consumption by 29.0% from FY2012, and we also reduced our CO₂ emissions by 398 tons.



▲Certificate of highest award for businesses with model energy management



FY2013 Results

In the Japanese smelting and refining business in FY2013, there was a year-on-year increase of 4.5% in unit energy consumption over FY2012. The main reason for the increase was because we produced a greater percentage of products with a high unit energy consumption.

There was also a reduction of about 12 kilotons in energy-derived CO₂ emissions in the Japanese smelting and refining business as a result of energy conservation activities. However, taking into account the effects of worsening emission factors by power suppliers (approximately 59 kilotons), overall CO₂ emissions went up by approximately 58 kilotons over FY2012. Unit CO₂ emissions increased by 8.5% as a consequence of the increase in unit energy consumption and the worsening emission factors by power suppliers. Overseas, despite increased production at CBNC, CO₂ emissions decreased by 7 kilotons in part due to restructuring the overseas materials business.

In FY2014, we are aiming for an 18 kiloton reduction of CO₂ emissions in smelting and refining and other businesses in Japan by means of continued energy conservation activities and new trials.

CO₂ emissions from transportation within Japan, which are indirect emissions, are being reduced through efforts to increase the use of ship transportation and improve load efficiency. However, in FY2013, these CO₂ emissions totaled 23 kilotons, an increase of around 3 kilotons from FY2012. Two factors that led to the increase were less ship transportation due to a drop in copper production, and more automobile transportation due to a rise in the production of nickel and battery materials.

Issues and Targets

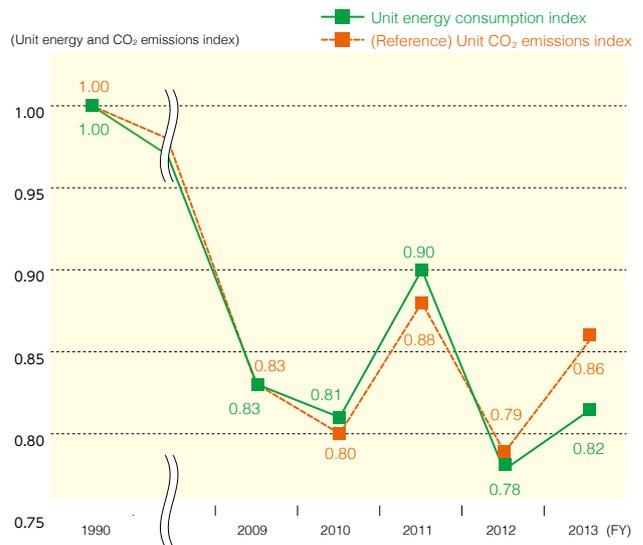
SMM has introduced a full range of initiatives for cutting greenhouse gas, primarily CO₂, emissions generated by business activities, but in order to bring about further benefits, we are going to have to invest considerably in facility and process improvements. Given that the rising of electricity costs and fuel prices has become more pronounced since FY2011, we will also continue to explore initiatives previously set aside as being factors in increasing costs, such as the introduction of renewable energy and switching fuels.

In the smelting and refining business, our energy requirements will inevitably rise due to the degradation of ores, the raw material, and the promotion of the use of recycled materials. Striking a balance between lessening environmental impact and securing profit will therefore require great resourcefulness, accompanied by technological innovation, and not just an extension of initiatives advanced so far. The SMM Group accepts this challenge, aiming to reduce unit energy consumption by 1% each year.

In view of the changing power situation after the Great East Japan Earthquake, Keidanren (Japan Business Federation) published in January 2013 a revised version of the "Commitment to a Low Carbon Society," its climate change policy for 2013 and beyond." The Japan Mining Industry Association, a non-ferrous metals industrial organization, used this new policy as the basis for announcing the industry target of "a 15% reduction in unit CO₂ emissions by FY2020 in comparison to FY1990." SMM has already achieved this target in the Japanese smelting and refining business, but we are working towards the goal of reducing unit energy consumption by 1% each year, as described above.

Unit Energy and CO₂ Emissions Index*

Boundary: Smelting/Refining Business in Japan

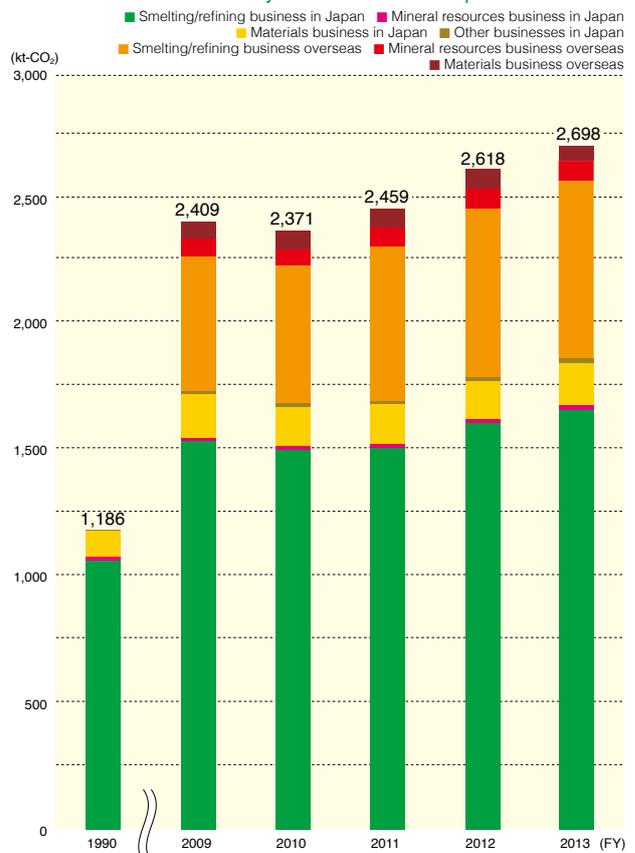


* Unit energy and CO₂ emissions index
The amount of energy consumed and CO₂ emitted during the production of 1 ton of product, assuming the FY1990 value to be 1 (including fuels used as reducing agents).

CO₂ Emissions

FY1990 Boundary: Business in Japan

FY2009-2013 Boundary: All businesses in Japan and Overseas



* Emissions in Japan and overseas which do not relate to electric power are calculated using emission factors conforming to the Japanese Act on Promotion of Global Warming Countermeasures. These include non-energy-derived CO₂ emissions (253 kt-CO₂) that are outside the scope of the above act. CO₂ emissions derived from purchased electricity in Japan are calculated using the emission factors of the electric power suppliers. Emission factors for overseas are based on International Energy Agency (IEA) data.



Initiatives for Reducing Environmental Impact (Indirect Effects of Biodiversity)

Basic Approach

Given the characteristics of the SMM Group's main businesses of mining ore and smelting and refining non-ferrous metals, there is potential for our business to have a significant impact on biodiversity. Potential direct impacts on biodiversity include the development of mines and the construction of new plants, while potential indirect impacts include the environmental impact caused while our plants are operating. The Group's initiatives for reducing environmental impact are not based on merely complying with emission standards and effluent standards relating to hazardous substances. We also mitigate these indirect impacts on biodiversity.

Soot and Smoke Emissions

In FY2013, sulfur oxide (SOx) emissions decreased by about 7% from FY2012. At the Toyo Smelter & Refinery, although the decrease in production of electrolytic copper from FY2012 was about 8%, there was an even greater decrease in SOx emissions of about 24%. This was due to having undertaken improvement works on the exhaust gas line for raw materials in February 2014, and to strengthening the management of facilities for removing hazardous substances. A further reduction in emissions is expected in FY2014 as the effects of the improvement works are fully realized. At CBNC, although production increased by about 13% from FY2012, SOx emissions decreased by about 11% due to a degradation of the sulfur content in fuel. Nitrogen oxide (NOx) emissions increased by about 5% from FY2012 for the SMM Group as a whole (see Fig. 1 and 2).

The SMM Group began calculating total soot and dust emissions for business sites in Japan from FY2010, and for CBNC from FY2011. Emissions increased by about 5% for the Group as a whole (see Fig. 3).

Particularly at plants with multiple dust collectors, in addition to striving to enhance maintenance, given the need for dealing with aging equipment, we have proceeded to systematically replace them.

Fig. 1-5

■ Toyo Smelter & Refinery ■ Niihama Nickel Refinery ■ Shisaka Smelting
■ Harima Smelter ■ Hyuga Smelting ■ CBNC ■ All mining operations
■ All other operations

Fig. 1 Volume of SO_x Emissions

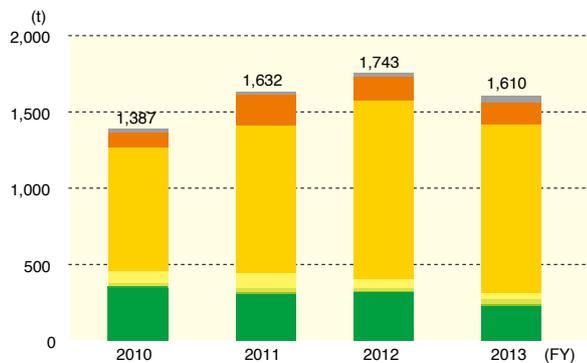


Fig. 2 Volume of NO_x Emissions

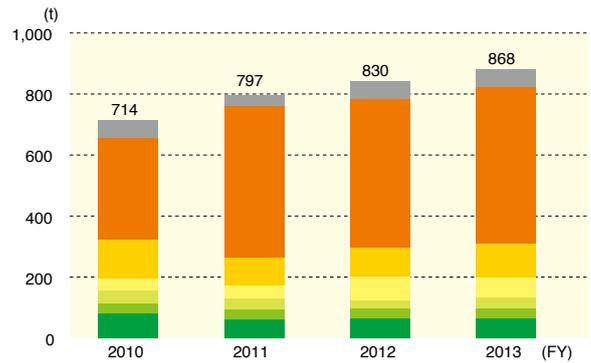
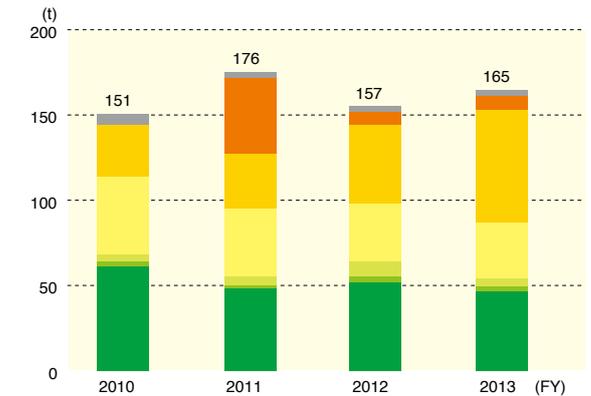


Fig. 3 Volume of Soot and Dust Emissions¹



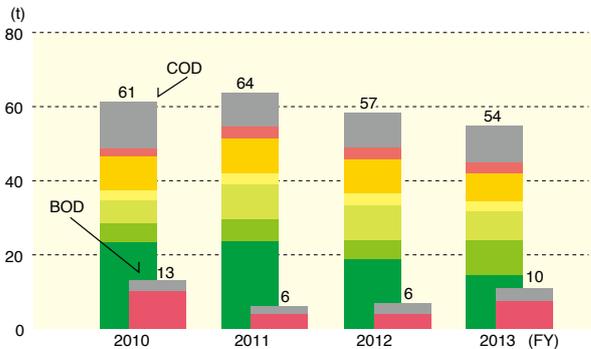
1. FY2010 only covers operations in Japan. FY2011 onward includes operations in Japan and overseas.

COD and BOD Pollutant Loads

Many SMM Group sites face onto Japan's Seto Inland Sea and are subject to controls on the total amounts of chemical oxygen demand (COD), nitrogen and phosphorus emissions under the Act on Special Measures Concerning Conservation of the Environment of the Seto Inland Sea.

In FY2013, COD decreased by about 5% from FY2012, but BOD increased. The Hishikari Mine accounts for a fair proportion of these, and so we will work to improve the accuracy of measurements here (see Fig. 4).

Fig. 4 COD and BOD² Pollutant Loads



2. COD (Chemical Oxygen Demand): Measured for emissions into seas, including emissions into rivers flowing into enclosed seas. BOD (Biochemical Oxygen Demand): Measured for emissions into rivers, excluding emissions flowing into enclosed seas.

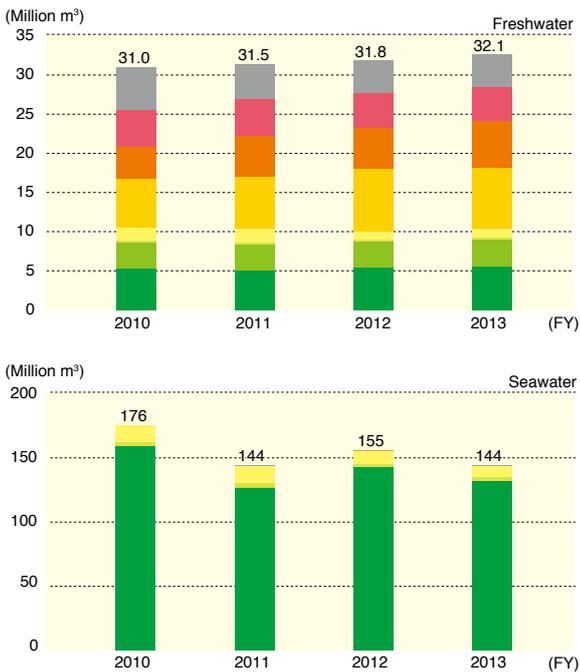


Water Usage

Freshwater usage increased modestly as a result of increased production activity across the Group. Seawater usage declined as a consequence of the decrease in the output of electrolytic copper at the Toyo Smelter & Refinery thanks to routine repairs (see Fig. 5).

The SMM Group has undertaken initiatives to reduce water usage with a view to preserving biodiversity. Good results were achieved at Nippon Ketjen, recycling seawater to reduce the volume of water taken from the sea by about 12%.

Fig. 5 Water Usage (Freshwater/Seawater)



Total Emissions and Final Disposal of Industrial and Mining Waste

Table 1 summarizes the volumes of waste emitted from all business sites in the SMM Group, including overseas sites, according to the disposal or processing method, whether disposal or processing was performed directly or contracted, and how much of the waste was hazardous and non-hazardous.

The total volume of industrial waste emitted (in Japan) was 132 kilotons. Figure 6 shows a breakdown of the different types of waste. Slag accounted for about 80% of the total.

The SMM Group has long been making efforts to reduce industrial waste (in Japan) and the amount of wastewater precipitate (mining waste) from the mine-affiliated Toyo Smelter & Refinery that undergoes final disposal.

In FY2013, 97 kilotons of waste underwent final disposal, a decline of about 1.4 kilotons from FY2012. Iron clinker³ from Shisaka Smelting and zinc slag from the Harima Smelter accounted for the majority of this. One major factor in the decline was a decrease in the volume of debris generated in the dismantling of facilities following completion of the switch to oxide ore-only processing at the Harima Smelter (see Fig. 7).

3. Iron clinker: The residue remaining during the processing of electric arc furnace dust after recovering zinc. That residue able to be sold is called "iron pellets," and that included in final disposal is called "iron clinkers."

Table 1 Volume of Waste (Hazardous⁴/Non-hazardous⁵)

		(kt)		
		Total	Hazardous	Non-hazardous
Processing method	Recycling	49	12	37
	Landfill	5,976	93	5,883
	Incineration	2	1	1
	Volume reduction, etc.	0	0	0
	Total	6,027	106	5,921
Direct/Contracted	Direct disposal	5,884		
	Contracted disposal	143		

4. In general, this depends upon definitions in the countries concerned. Since Japan does not have such laws or regulations, SMM applies the following definition: "Specially controlled industrial waste and waste delivered to controlled landfill sites (excluding designated inert waste that should have been delivered to landfill sites for inert industrial waste, but was disposed of at controlled landfill sites due to the distance limitation)."

5. Waste other than hazardous waste.

Fig. 6 Breakdown of Industrial Waste (in Japan) by Type of Waste

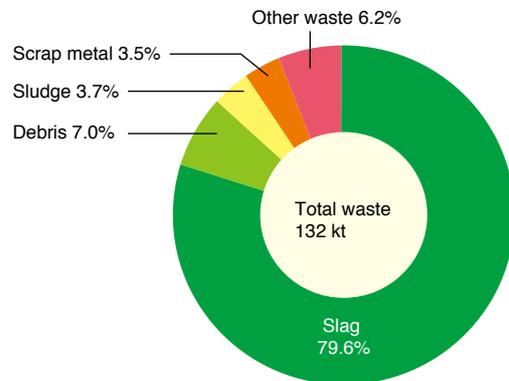
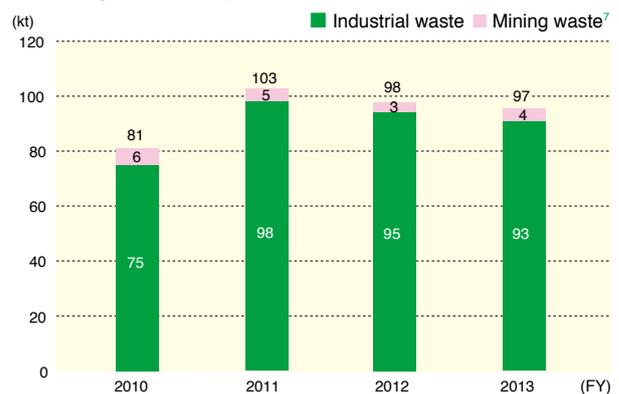


Fig. 7 Final Disposal Volumes⁶ of Industrial and Mining Waste in Japan



6. Includes waste destined for landfills and simple incineration.

7. Mining waste in the form of wastewater sludge generated by mine-affiliated Toyo Smelter & Refinery that is landfilled within the business site.

Initiatives for Reducing Environmental Impact (Indirect Effects of Biodiversity)

Risk Management for Mining Waste

The SMM Group carries out appropriate management of mining waste generated by the mineral resources business, such as topsoil, spoil, tailings, and sludge.

Oxidization of rocks (spoil) containing sulfide minerals can cause acidic water that contains sulfate ions or water containing heavy metal ions, and therefore wastewater from mines is properly processed in water treatment facilities before release.

The Pogo Mine further alleviates risk by surrounding all mineralized spoil with dehydrated flotation tailings so as to isolate it from the outside environment. Tailings containing chemicals that are a high risk to the environment are stabilized by mixing them with cement for use as backfill, while all other tailings are stored outside the mine after undergoing dehydration to reduce volume. Reducing the volume of the tailings reduces the area required for accumulation sites and alleviates risk related to the structural stability of sites.

Chemical Substance Releases and Transfers

The following is an overview of FY2013 releases and transfers of chemical substances in Japan managed in line with the Pollutant Release and Transfer Register (PRTR) system.

The SMM Group had 28 data-submitting sites (25 in FY2012) and 37 substances requiring registration (39 in FY2012).

The total release and transfer volume (releases + transfers) decreased by about 8% from FY2012 to 2,613 tons due to a decrease in transfers (Fig. 1).

The volume of chemical substances released into the atmosphere remained about the same, while there were decreases in releases into water and into landfills on SMM premises. The main factors were a decrease in releases due to a reduction in the concentration of boron in wastewater at the Hishikari Mine, and a decrease in arsenic and other substances in landfill associated with a decrease in the landfill of wastewater precipitate at the Toyo Smelter & Refinery (Fig. 2, 3 and 4).

The decrease in transfers was due to a degradation of the manganese contained in iron clinkers that undergo final disposal as an industrial waste by-product, which was as a result of a degradation of the manganese contained in electric arc furnace dust which is used as a raw material at Shisaka Smelting (Fig. 1 and 5).

At Taihei Metal Industry, the volume of dichloromethane released into the atmosphere was reduced to zero as a result of replacing the dichloromethane, which had been used for cleaning, with an alternative substance. At Ohkuchi Electronics, transfers were decreased considerably as a result of recycling toluene.

No ozone-depleting substances were released from production processes of the SMM Group.

SMM Group's FY2013 PRTR Substance Release and Transfer Volume

Chemical substance*	Releases				Transfers	
	Atmosphere	Water	Soil	Landfill	Sewerage	Waste
Zinc compounds (water-soluble)	0.0	1.2	0.0	0.0	0.0	0.0
Antimony and its compounds	0.0	0.0	0.0	0.4	0.0	1.2
Ethylbenzene	0.1	0.0	0.0	0.0	0.0	0.2
Ferric chloride	0.0	0.0	0.0	0.0	0.0	0.3
Cadmium and its compounds	0.0	0.1	0.0	1.4	0.0	0.2
Xylene	1.4	0.0	0.0	0.0	0.0	0.1
Silver and its water-soluble compounds	0.0	0.0	0.0	0.0	0.0	0.5
Chromium and chromium (III) compounds	0.4	0.0	0.0	0.0	0.0	100
Chromium (VI) compounds	0.0	0.0	0.0	0.0	0.0	0.4
Cobalt and its compounds	0.0	0.0	0.0	0.0	0.0	7.8
Inorganic cyanide compounds	0.2	0.0	0.0	0.0	0.0	0.0
Dichloromethane (methylene dichloride)	13	0.0	0.0	0.0	0.0	0.0
Selenium and its compounds	0.0	0.0	0.0	0.1	0.0	0.0
Copper salts (water-soluble)	0.0	0.5	0.0	0.0	0.0	13.0
1,2,4-trimethylbenzene	0.2	0.0	0.0	0.0	0.0	0.0
Toluene	2.4	0.0	0.0	0.0	0.0	2.8
Naphthalene	0.0	0.0	0.0	0.0	0.0	6.5
Lead	0.0	0.0	0.0	0.0	0.0	270
Lead compounds	1.9	0.0	0.0	2.5	0.0	33
Nickel	0.0	0.0	0.0	0.0	0.0	1.9
Nickel compounds	1.2	0.5	0.0	1.1	0.0	66
Arsenic and its inorganic compounds	0.1	0.2	0.9	8.6	0.0	39
Hydrogen fluoride and its water-soluble salts	0.0	8.6	0.0	0.0	0.0	0.0
Water-soluble salts of peroxydisulfuric acid	0.0	0.3	0.0	0.0	0.0	2.3
Boron compounds	0.0	62	0.0	0.0	0.0	2.1
Formaldehyde	0.1	0.0	0.0	0.0	0.0	4.7
Manganese and its compounds	0.0	0.5	0.0	0.0	0.0	1,934
Methylnaphthalene	0.8	0.0	0.0	0.0	0.0	5.9
Molybdenum and its compounds	0.1	0.0	0.0	0.0	0.0	11
Dioxins	210	0.0	0.0	0.0	0.0	57

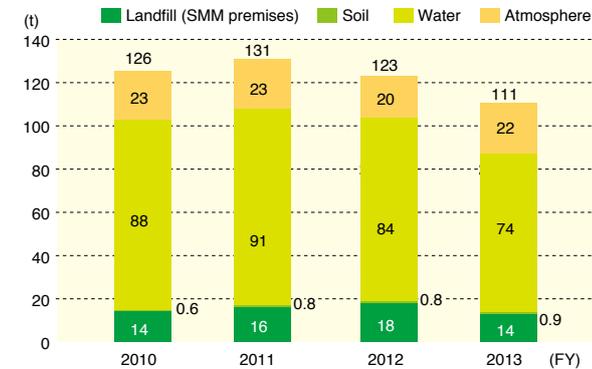
* Of 37 registered substances, only those with release/transfer amounts of 0.1 tons or above are shown. (Does not include dioxins.)



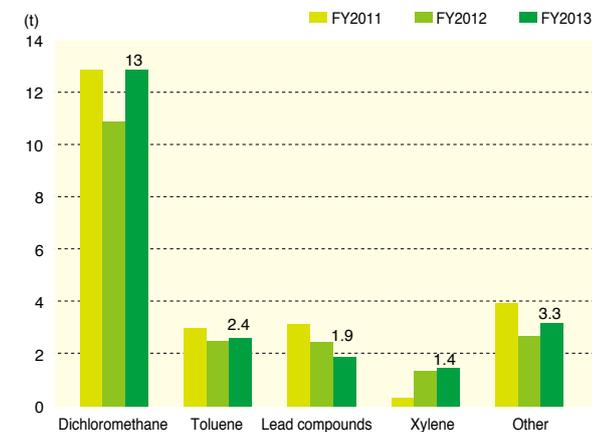
■ Fig. 1 Total Release and Transfer Volume



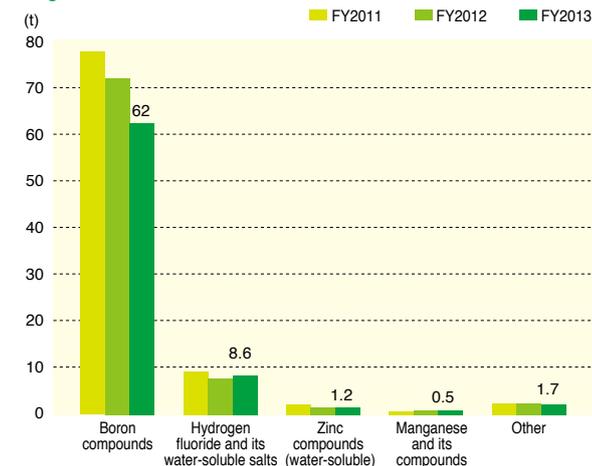
■ Fig. 2 Breakdown of Releases



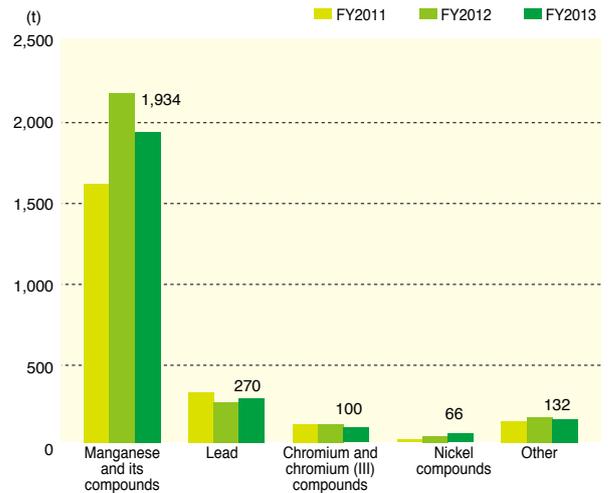
■ Fig. 3 Breakdown of Releases into the Atmosphere



■ Fig. 4 Breakdown of Releases into Water



■ Fig. 5 Breakdown of Transfers



Issues and Targets

In terms of smoke and soot emissions, we expect to reduce SO_x emissions further by improving the exhaust gas facility at the Toyo Smelter & Refinery. As for reducing the emissions of NO_x, soot and dust, in addition to endeavoring to operate the burners appropriately, we will continue to enhance the maintenance of the exhaust gas facility and proceed with planned developments and upgrades.

In terms of the withdrawal of water, in addition to continuing to strive for a more refined water balance, we are committed to reducing our water usage to reasonable levels.

The final disposal of industrial waste is still at a high level. As a way of reducing this, we will further improve the quality of the iron pellets, and in addition to striving to increase sales to steel manufacturers that operate electric furnaces, we will explore new recycling options for iron pellets.

To achieve further reductions in PRTR substance releases into the atmosphere, we will take all available steps, including improvements to environmental facilities as well as more stringent operational management, based on medium- and long-term targets. We will also continue to examine alternatives to cleaning agents with volatile organic compounds (VOCs) for the cleaning of materials in electronics.

Given the relatively large amount of chemical substances contained in the iron pellet by-product produced at Shisaka Smelting, reducing their final disposal is a key factor in PRTR substance transfers.

Initiatives in Creating Products with Low Environmental Impact

Expansion of Energy-related Materials Business

The SMM Group sees its supplying of specialty materials for products with a low environmental impact to be one of its contributions to a more sustainable society.

By focusing on energy-related materials, the SMM Group aims to expand its business in the domains shown in the diagram below relating to the creating, storing, and saving of energy.

The Battery Materials Business Management Department of the Materials Division manufactures positive electrode materials for nickel metal hydride batteries used mainly in hybrid vehicles, and positive electrode materials for lithium batteries used in electric vehicles and other products.

Hybrid vehicles are vehicles that use regenerative brakes and other electric generation systems to turn mechanical energy during coasting and deceleration into electrical energy. This electricity is stored in an on-board battery, and then used to power an electric motor that assists the engine during starts and acceleration. Recapturing and storing previously wasted energy for later use in this way has the effect of enhancing the vehicle's energy efficiency. Hybrid vehicles that use this technology have a fuel economy that is, on average, 20% better than their gasoline-only counterparts, and therefore emit proportionally less CO₂ and have a commensurately smaller environmental impact from driving.

Electric vehicles, on the other hand, are vehicles that use a battery and motor in place of gasoline (or other fuel) and an internal combustion engine. Unlike hybrid vehicles, which generate their electricity inside the vehicle, electric vehicles store in their on-board battery electricity that is generated outside the vehicle. As a result, the environmental impact of driving an electric vehicle is about the same as the environmental impact of a power plant. Generally speaking, electric vehicles emit less CO₂—and therefore have a smaller environmental impact during use—for every kilometer driven

than a gasoline-engine vehicle.

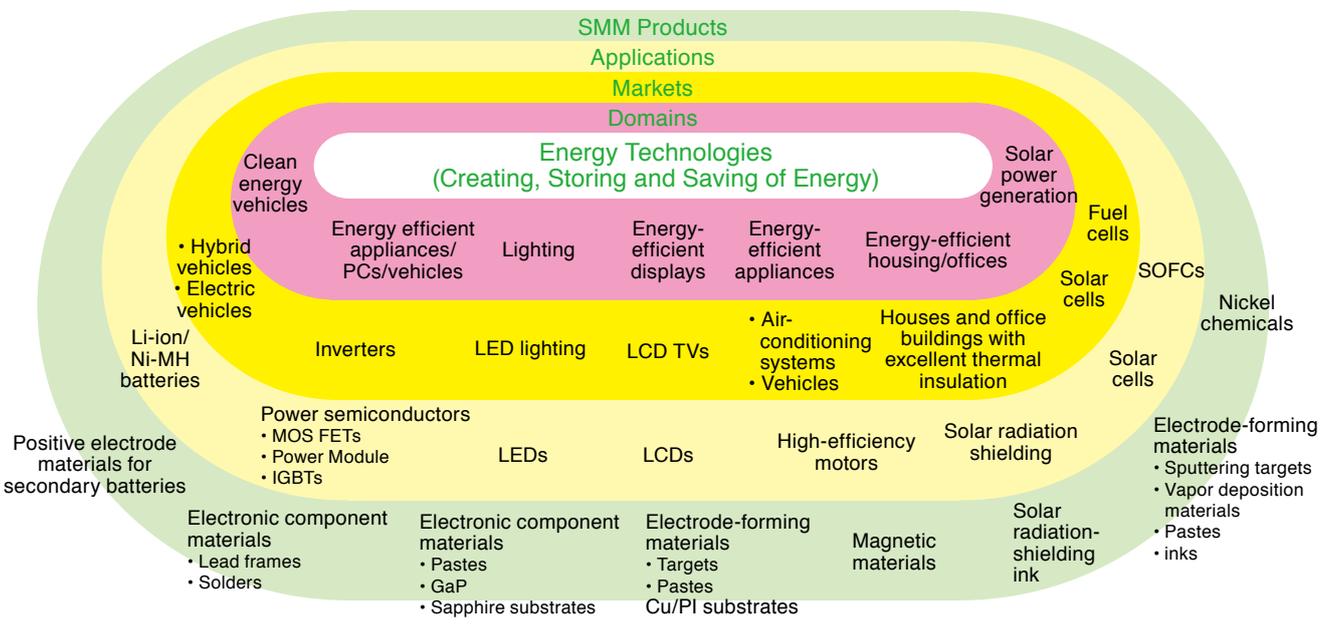
As mentioned above, both hybrid vehicles and electric vehicles need to store energy in the form of electricity, and so they both have a battery for that purpose. Most hybrid vehicles today are fitted with a nickel-metal hydride (Ni-MH) battery. Ni-MH batteries use nickel hydroxide as a positive electrode material and what is called a hydrogen storage alloy, an alloy of nickel and lanthanum or other rare earth metal, as a negative electrode material. SMM manufactures the nickel hydroxide that goes into making the positive electrode.

Because electric vehicles do not have an engine and therefore use only electricity to propel the vehicle, they are equipped with a lithium-ion (Li-ion) battery, which can store more electricity than a Ni-MH battery. Li-ion batteries use a chemical compound combining lithium oxide and one or more metal oxides such as nickel and cobalt, as a positive electrode material, and carbon, which can store lithium ions, as a negative electrode material. SMM manufactures the metal oxide compounds that go into making the positive electrode.

The demand for environmentally friendly vehicles such as the hybrid and electric vehicles discussed here is expected to grow more and more as time passes. By supplying battery materials for these vehicles, SMM believes it can make an important contribution to reducing the environmental impact of automobiles.

By capitalizing on technologies for synthesizing inorganic materials based on the refining techniques we have cultivated over the years, and by conducting more efficient production that integrates the refining of nickel and cobalt from ore with the final synthesis of battery materials, we also hope to contribute to reductions in the environmental impact of battery material manufacturing.

SMM Materials Relating to Energy



Biodiversity Considerations

Basic Approach

All diverse living creatures on earth are interconnected, either directly or indirectly, and together they weave a magnificent circle of life. This is *biodiversity*. Each living creature plays an important role, and by interacting with each other and maintaining a balance, they support the global environment.

Our society is supported by the blessings of nature produced from this biodiversity, and in order for future generations to receive these blessings of nature the same as us, it is imperative that biodiversity be preserved.

The SMM Group contributes to creating a prosperous society by mining ore, manufacturing non-ferrous metals and various materials, and supplying them to society. At the same time though, given the characteristics of our business, it is unavoidable that we affect biodiversity, both directly and indirectly. Nevertheless, by taking this into consideration, we can minimize any impact, or we can improve conditions better than before the development.

The SMM Group is moving ahead, based on the recognition that consideration of biodiversity is essential when implementing our business activities.

Education for Deepening Understanding

In order to raise the level of our biodiversity initiatives in pursuit of the objective of our CSR activities, namely, "sustainable co-existence with society and the global environment," the SMM Group produced a pamphlet called *Biodiversity and SMM's Business Activities*, and distributed it to all employees at SMM Group companies in Japan. It is hoped that this pamphlet will further deepen understanding about the importance of getting involved in biodiversity preservation, and will lead to daily management activities of employees getting actively involved wherever they can based on an awareness of the relationship between biodiversity and business.



▲ Pamphlet: *Biodiversity and SMM's Business Activities*

Biodiversity Considerations

At the SMM Group, we are committed to reducing our impact on biodiversity. Our view of factors that affect biodiversity includes the various environmental impacts associated with business, such as the emission of greenhouse gases and chemical substances, the use of water and the disposal of waste, as well as the logging of forests and erosion of soil during development projects at mines, smelters and refineries, and the possession of land associated with the establishment of facilities.

In new projects, due consideration is given to the surrounding environment right from the planning stage as we undertake development and operations. It is also our basic policy to engage in adequate communication with citizens of local communities and governments at national and regional levels, and to disclose information where permissible as requested by citizen groups and other parties. During environmental surveys conducted by contracted experts prior to development, if it is determined that development and business activities in a locality will have a significant impact on a rare species, then we will prepare and implement management plans for preventing or minimizing, restoring and compensating that impact.

Currently, there are no projects in any regions requiring the preparation of such a management plan (see Table 1).

Based on the philosophy outlined above, the SMM Group will continue to engage in business taking biodiversity into consideration while further deepening the understanding of management and of each level of employees.

Hishikari Mine Surveys of Protected Species

The Sendai River running through Isa, Kagoshima Prefecture, where the Hishikari Mine is located, is home to *chisujinori* (*Thorea okadae*)¹, a threatened red algae protected as a Japanese natural monument, and *kawagoke-so* (*Cladopus japonicus*)², a riverweed designated as a prefectural natural monument.

The Hishikari Mine carries out independent monitoring of *chisujinori* and *kawagoke-so* growth and reports findings to government authorities and local citizens.

1. *Chisujinori* (*Thorea okadae*): A protected freshwater algae species endemic to Japan belonging to the Thoreaceae red algae family and whose distribution is limited to select rivers in central and southern Kyushu. It grows mainly in flowing water, clinging to rocks and trees. The Japanese name (lit. "blood-vessel moss") comes from its similarity in color and shape to blood vessels.

3. Protected areas classified as Category 4 and above by the International Union for Conservation of Nature (IUCN) and neighboring areas (SMM research). Areas classified as Category 1 are of highest priority.

■ Table 1 Business Activities in Areas of High Biodiversity Value³

Area	Size of production site (hectares)	Details
Seto Inland Sea	62 (Minoshima & Ienoshima islands)	Shisaka Smelting operates on Minoshima and Ienoshima islands, neighboring Setonaikai National Park (IUCN Category 2)
The Philippines	428	Coral Bay Nickel Corporation operates on Palawan Island (in hunting-prohibited and bird protection areas (IUCN Category 4))

■ Amount of Land Disturbed or Rehabilitated

	A Total area of land disturbed but not rehabilitated (as of the end of FY2012)	B Area of land newly disturbed in FY2013	C Area of land newly rehabilitated in FY2013	D Total area of land disturbed but not rehabilitated (A+B-C)
Hishikari Mine	22	0	0	22
Pogo Mine	158	2	0	160
CBNC	349	0	22	327
THPAL	278	30	79	229

2. *Kawagoke-so (Cladopus japonicus)*: A rare algae-like plant found in Japan only on the island of Yakushima and in parts of mainland Kagoshima Prefecture and Miyazaki Prefecture. A rare algae-like plant found in Japan only on the island of Yakushima and in parts of mainland Kagoshima Prefecture and Miyazaki Prefecture. As the plant can only grow in clear rivers with extremely high water quality, it serves as an indicator of river pollution and other environmental change.

Biodiversity Considerations at Mines and Refineries

Initiatives in Development of the Pogo Mine

The Pogo Mine in Alaska, U.S.A., required 83 separate permits before operations could begin as it falls under extremely stringent environmental protection standards enforced by state and federal governments.

SMM undertook exhaustive environmental considerations right from the design stage, seeking to preserve ecosystems as well as infrastructure sustaining indigenous communities in the mine vicinity. Particularly important issues were protection of rivers where salmon return to spawn and prevention of adverse effects on moose habitats.

Groundwater from the mine is purified by a treatment plant and partially reused in production processes. In gold extraction, water that comes into contact with chemicals during the process is isolated within a closed system to make sure it is not released. The impact of mine operations is confirmed through annual monitoring of the salmon run, as well as by catching and analyzing fish to check for abnormal levels of heavy metals.

We have also tried to minimize the impact of mine access road construction on moose habitats by circumventing breeding grounds and prohibiting traffic not related to the mine.



▲ Fish are caught in a river near the Pogo Mine for monitoring

Environmental Considerations in Operations at Coral Bay

Coral Bay Nickel Corporation (CBNC) in the Philippines produces intermediates used in the manufacture of electrolytic nickel.

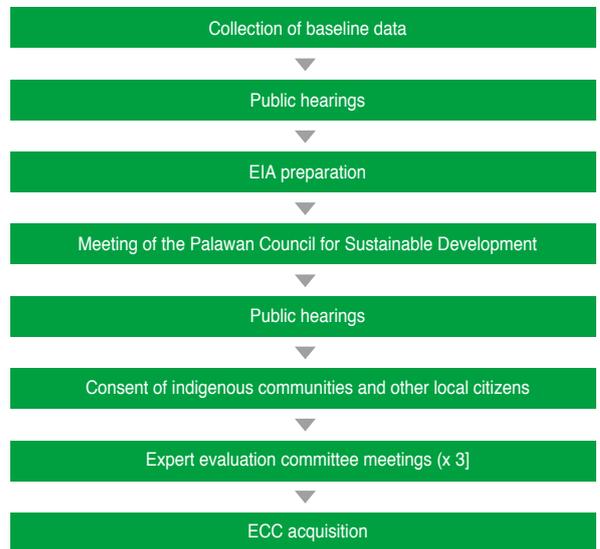
To construct a refinery in the Philippines, we first had to obtain an Environmental Compliance Certificate (ECC) from the Department of Environment and Natural Resources (DENR). This required undertaking various procedures before submission of an Environmental Impact Assessment (EIA) summarizing the environmental effects to the DENR.

When constructing the refinery, we sought adequate dialogue with the Philippine government, local authorities and local citizens right from the planning stage. Efforts were made to construct a plant that would have a minimal impact on the environment. For example, a pier used to deliver sulfuric acid and methanol to the plant was made to circle around the coral reef, and wastewater outlets were also positioned to ensure the reef's protection.

CBNC began operations of the refinery in 2005 based on an environmentally responsible design certified after passing through such procedures (See Fig. 1). The refinery has set up an Environmental Management Office (EMO) to promote

environmental initiatives in operations. Besides environmental surveys by the EMO, a team of representatives from organizations such as the DENR, local authorities and NGOs carry out regular sampling of air, water, flora and fauna, ensuring ongoing monitoring of the environment.

■ Fig. 1 ECC Acquisition Process



▲ Monitoring near the CBNC pier

Initiatives for the Taganito Project

At Taganito HPAL Nickel Corporation (THPAL), which started commercially producing nickel intermediates also in the Philippines in October 2013, we have undertaken the same prescribed procedures as for CBNC, including acquiring an ECC. We have also set up an EMO at THPAL. In addition to conducting its own environmental monitoring, the EMO undertakes regular surveys in collaboration with the DENR and other agencies.

The project will be advanced cautiously while ensuring that plant construction and operations do not have a significant impact on ecosystems and minimizing the environmental impact of wastewater and other factors.



Environmental Preservation

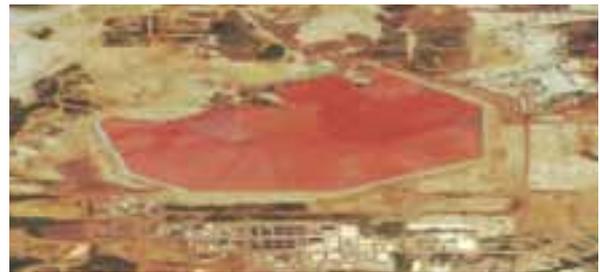
Tailings Dam Rehabilitation at CBNC



▲ Tailings Storage Facility No. 1 after (above) and before rehabilitation (right)

Coral Bay Nickel Corporation (CBNC) uses high-pressure acid leaching (HPAL) technology to produce mixed nickel-cobalt sulfides from low-grade nickel oxide ores. The residue generated through this process (a form of slurry with high iron content) is collected in a tailings dam¹. CBNC's Tailings Storage Facility No. 1 (TSF-1), utilized since operations began in 2005, reached full capacity in July 2010. The area of about 800,000 m² was reddish in color and not nice to look at. Plants could not grow as there were no nutrients and a large amount of dust was expected to be generated in the dry season. To prevent these problems and return the vast tract of land to nature, vegetation was planted and grown using organic fertilizer. Slowly the reddish landscape turned green.

Two years later, the vast grassland was producing large quantities of natural nutrients that enriched the soil, making it ready for tree-planting and agriculture. Since January 2013, 2,000 coconut trees and hundreds of fruit and forest trees have been planted and are growing well. Other measures taken are as follows: (1) Part of the area is now used for growing vegetables, as well as crops like rice, corn and dragon fruit; (2) Around 1,000 m² was planted



with flowers with the goal of creating a natural butterfly garden; and (3) A walkway was established for visitors to give them a better understanding about our rehabilitation activities.

In due course, the rehabilitated tailings dam will be testimony to the ability to restore land developed for mining to its natural state.

1. Tailings dam: A dam for accumulating and dehydrating tailings slurry. Widely used in mining for processing waste materials generated during mineral processing.



Briccio Abela
Section Manager
Environment Management and
Quality Control Section
Coral Bay Nickel Corporation

My Way of Doing Good



I cycle to work every day. It's both good for me and energy efficient, so it serves two purposes at once. My family ride bicycles, too, now after following my lead. I want to act in a way that makes me a good example not just for my family, but also for others, such as colleagues at work.

Liu Yufeng Sumiko Advanced Materials (Suzhou) Co., Ltd.



Wastewater Management at Isoura Plant



▲Enhanced wastewater treatment facilities

The Isoura Plant faces onto Japan's Seto Inland Sea, a rich natural environment. Starting out as a small-scale electronic materials development plant, it has grown together with advancements in the electronics and automotive industries, such as LCD TVs, compact telecommunications devices, and battery-equipped hybrid vehicles. Because we manufacture products using nickel sulfate solutions purified at the Niihama Nickel Refinery as a primary material, and a wide range of other chemicals, we are very careful about the wastewater generated at the plant. In particular, our wastewater runs directly into the Seto Inland Sea and so we take extra-special care in its management since the inland sea's unique environment is subject to strict controls under the Act on Special Measures Concerning Conservation of the Environment of the Seto Inland Sea.

As production at the plant is currently increasing, wastewater is also on the rise. To cope with the situation, we are enhancing our facilities, for example by strengthening wastewater treatment facilities, and by backing up wastewater containment facilities that will prevent untreated water, or any of the various chemicals, oils and other potential contaminants used at the plant, from being released into the outside environment in abnormal circumstances. We are also making operational improvements, such as ensuring close control of processes to prevent delays in routine wastewater treatment; strengthening of monitoring and measuring equipment maintenance; and the repeated implementation of drills to familiarize ourselves with abnormal situations.

We will continue to focus on our wastewater treatment operations with a commitment to protecting the natural environment of the Seto Inland Sea, so that the benefits it provides may be enjoyed on into the future.



Hideo Murakami
Manager, Environment Sect.,
Isoura Plant, Materials Div.

Management of Closed/Suspended Mines



▲The Hoshigoe mine water treatment plant

Even though the hills around the former Besshi Copper Mine are once again covered in vegetation and have returned to being part of nature, 41 years on from the mine's closure, mine water drawn from Adit No. 4² continues to flow along 9.6 km of water channels, which cut through the center of Niihama City, and is treated at two facilities along the way before being discharged into the Seto Inland Sea.

Part of our job involves carrying out inspections of the entire network of mine water channels on foot and performing maintenance and repairs on the channels and surrounds to ensure that not even one drop of untreated mine water overflows into urban areas. The water undergoes appropriate treatment at the Yamane and Hoshigoe treatment plants. We also circulate around and monitor mines once administered by SMM, but which are now closed, located in Ehime Prefecture and Kochi Prefecture, in addition to the Besshi Copper Mine (The Sazare Mine is under the control of head office) and associated accumulation sites.

While water from the Besshi Copper Mine looks to have stabilized over time, it appears that the abnormal weather of late has caused the degree and frequency of water yield increases to rise. Any error in our response to an abnormal situation could lead to an environmental accident, and therefore we have increased the frequency and level of our response drills. We are also working to raise the level of our crisis management capability through the introduction of new monitoring systems and facilities that will enable us to promptly detect an abnormality and take appropriate action to prevent damage or destruction of mine water channels due, for example, to heavy rain or an earthquake. As well as building upon the technology and facilities we have inherited from our predecessors, I would like to ensure that we pass on to the next generation, five to 10 years from now, a strong sense of responsibility and duty that we must co-exist with the environment.

2. Adit No.4: The main artery of the Besshi Copper Mine with a total length of 4,596 meters, constructed to improve transportation efficiency. Work began in 1910 and it opened in 1915.



Masahiro Yamanaka
Senior Staff, Closed &
Suspended Mine Group, Safety &
Environment Control Center,
Besshi-Niihama District Div.

My Way of Doing Good



I am in charge of freighter operation control in the Sales Department. As initiatives to prevent pollution of the sea by shipping vessels, we carry out spill prevention activities and sort and collect general living waste from freighters. As all life originated in the ocean, I would like to aim for environmentally friendly operations so that we can leave behind a clean sea for future generations.

Masamitsu Kokami Sumiko Logistics Co., Ltd.



Contribution to Society and Local Communities

Vision for 2020

▶ A company in which employees are proud to work along with the company on social contribution activities rooted in the area

	Target	FY2013 Achievements
Engage in support activities that are embedded in local communities	Support the development of human resources in local communities	<ul style="list-style-type: none"> Continued support for Niihama Manufacturing Industry Promotion Center, including staff dispatch Accepted one intern from Shanghai Jiao Tong University with preliminary promise of employment in FY2015 Made donations to an NGO supporting school attendance for impoverished people in Manila
	Contribute to maintaining and developing the living conditions, culture and traditions of local communities without impeding their independence or harmony	<ul style="list-style-type: none"> Renovation of Sumitomo Besshi Hospital in Niihama, management of schools and hospitals in the Philippines and elsewhere, donations of funds for infrastructure business and infrastructure facilities in Japan and overseas at SMM business locations Donations to universities and research organizations
	Have employees also actively participate in social contribution activities	<ul style="list-style-type: none"> Make effective use of CSR awards system and other initiatives to encourage social contribution activities by employees Conduct survey to gain understanding about social contribution activities implemented by employees Look into and draw up a proposal for introducing a leave program for participating in long-term social contribution activities
Provide support for recovery and reconstruction after large-scale disasters	Implement as many assistance measures as possible to help with recovery and reconstruction following devastating disasters anywhere in the world	<ul style="list-style-type: none"> Contributed funds to support relief efforts for heavy rain and typhoon damage in the Philippines, earthquake damage in China's Sichuan Province, and typhoon damage on Japan's Izu-Oshima island
	Provide ongoing assistance to victims of the Great East Japan Earthquake	<ul style="list-style-type: none"> Contribution to education fund for the three disaster-struck prefectures (Iwate, Miyagi and Fukushima) Donated 5 tons of rice from Kyowa-cho, Hokkaido, to victims of the Great East Japan Earthquake Held a CSR forum

Expectations for the SMM Group

What is your evaluation of the SMM Group's activities during FY2013?

Overseas facilities now account for around 40% of the workforce and sales. Therefore, in regard to social and community contribution, too, it is essential that regional factors are taken into account and that you manage to communicate your overall approach to themes both within and outside the company. On that note, your current theme of developing the next generation is a good one. Please use this as a central theme and try to find a unique format that works for the SMM Group. As for support for reconstruction in the wake of a disaster, activities during times of normality come into play. Developing systems allowing employee participation are important, but for these to be effective, you need mechanisms and devices to encourage participation. It is this effort and ingenuity which determines a plan's success or otherwise.

In your view, what does society require in regard to contribution to society and local communities?

Considering the nature of the SMM Group's core businesses—mineral resources, smelting and refining, and materials—and the Six Key CSR Areas, I think the material issues come down to protecting the natural environment, correcting rich-poor disparity, respecting cultures unique to specific regions, and training human resources to achieve these, all based on the idea of "think globally, act locally." A diverse workforce and two-way communication with each of the different types of stakeholder also provide valuable viewpoints when considering contribution to society and environmental preservation and the others of the Six Key CSR Areas. I hope you will allow an organic link between these two factors, with open discussions and give full play to the DNA of SMM in the present day.



Yoko Takahashi
President
Japan Philanthropic Association

Basic Approach

The SMM Group has long been contributing to local communities while advancing its business, not only by securing housing for employees and their families, but also by supporting infrastructure that benefits the entire region in such a wide range of areas as medical care, education and culture. We have also shown concern for regional environments. SMM Group continues to incorporate consideration toward local communities into activities today in line with the SMM Group Corporate Philosophy and Management Vision, and the CSR Policy. Due deliberation is made during meetings of various kinds to ensure that decisions made within various projects do not act counter to SMM Group policy or philosophy.

Challenges	FY2014 Plan
<ul style="list-style-type: none"> ● Overall human resources development support achievements for the entire SMM Group not yet obtained 	<ul style="list-style-type: none"> ● Support activities are still in progress ● Information about human resources development support for the entire SMM Group is being obtained and sorted ● Provide preliminary training for soon-to-be-hired foreign nationals, and continue scholarship support ● Accept visits by Matsuyama Higashi High School (designated a “Super Global High School” by the Ministry of Education, Culture, Sports, Science and Technology) at facilities in the Besshi district and China
<ul style="list-style-type: none"> ● Needs-based support 	<ul style="list-style-type: none"> ● Provide continuous supports to meet the needs of local communities ● Support for other cultural and educational activities in connection to SMM business
<ul style="list-style-type: none"> ● Establish a culture that encourages familiarity with social contribution activities 	<ul style="list-style-type: none"> ● Make effective use of CSR awards system and other initiatives to encourage social contribution activities by employees ● Conduct survey to gain understanding about social contribution activities implemented by employees ● Look into and draw up a proposal for introducing a leave program for participating in long-term social contribution activities
<ul style="list-style-type: none"> ● Ongoing provision of support following devastating disasters 	<ul style="list-style-type: none"> ● As chair of council for promoting measures to prevent crowds around Shimbashi Station in times of disaster, implement disaster drills at the Shimbashi Sumitomo Building and activities linked to SMM’s business continuity management (BCM) and business continuity plans (BCPs) in coordination with Minato Ward and council members ● Focus on support for victims in times of disasters in Japan designated “extremely severe disaster” ● In times of devastating disasters outside Japan, provide strategic support taking into account the level of human damage and the relationship of the stricken country or region to SMM’s business
<ul style="list-style-type: none"> ● Support according to the needs of the disaster-affected areas 	<ul style="list-style-type: none"> ● Continue support for affected areas and people while ascertaining circumstances

Subcommittee Chairman’s Comment

Progress in FY2013

SMM does business in many different regions both inside and outside Japan and we believe we have to carry out ongoing contribution activities rooted in local areas. We spent the equivalent of 1% of recurring profit on social contribution activities inside and outside Japan again in FY2013, and we intend to maintain that level while seeking close communication with stakeholders and persisting with activities that match local needs.

Response to Stakeholder Comments

Developing human resources who are going to sustain the next generation is a major theme of SMM’s social contribution and, in particular, it is one aspect of our active efforts to provide support for education and resolve poverty-related issues in developing nations where we operate. Providing assistance to communities affected by major natural disasters is our other company-wide theme, and through these two themes we will practice “think globally, act locally.” As systems for encouraging employee participation in social contribution activities, we already have a CSR awards system for honoring outstanding activities and a volunteer leave program, but we are also looking into introducing a long-term leave program as a way to further promote volunteering in social contribution activities and international cooperation. By sharing information about activities implemented at each workplace and other such initiatives, individuals will gain greater awareness about social contribution, which I hope will gradually translate into action.



Koji Imai

Chairman, Corporate Citizenship Subcommittee;
General Manager, Legal & General Affairs Dept.

Impact on Local Economies

At business facilities where SMM Group activities have a considerable impact on the local economy we contribute to the community in a variety of ways such as through considerations regarding supplier selection and employment.

For example, the Pogo Mine procures materials and equipment from some 247 suppliers in Alaska, and the total value of those transactions is around US\$72 million a year. Efforts have been made to employ local Alaskans, and now 69% of the approximate 300 employees live in Alaska. Our other efforts have included providing ongoing financial assistance to the city of Delta Junction, the closest municipality to the mine, and making donations to the University of Alaska Fairbanks.

At CBNC in the Philippines, efforts have been made to employ locals from Bataraza, achieving a ratio of 57%. At THPAL, which commenced operations in October 2013 also in the Philippines, efforts have been made to employ locals from Claver, who now account for 44% of the workforce. In each of these communities, we are continuing to provide support such as for school education, health care, hygiene and better living conditions.

Starting/Ceasing Operations

When starting up business in a region—or withdrawing from it—meetings are held by the Management Committee and others involved to determine how to respond to political and economic risks, risks to humans, and other risks relating, for example, to region-specific diseases, employment, labor disputes and other labor issues, religious constraints, and border disputes. If a crisis occurs, we clearly identify the causes and take swift action. The SMM Group requires serious matters at any business facility, subsidiary, or affiliate to be discussed in a timely fashion.

Mine Closure Plans

Taking into consideration the treatment procedures that must be carried out once mining is finished, the SMM Group makes an effort to minimize the impact on the environment during the development stage. When actually closing a mine, procedures are advanced in a proper manner in keeping with the SMM Group Corporate Philosophy and in accordance with laws and regulations. At mines in which SMM has more than a 50% interest, we draw up suitable plans once closure of the mine is foreseeable. Closure formalities and management are carried out according to the laws of the country in question.

Future environmental considerations at the Hishikari Mine include shaping spoil heaps into slopes, covering them with soil if necessary, and then spraying with seed to create vegetation. The costs are covered by reserves put aside for the purpose of mine pollution control in line with Japanese law. The Pogo Mine in the United States falls under Alaskan state law, which requires sites to be covered in soil and revegetated after all mine facilities have been removed. The law stipulates the remedial programs required and their extent, the water quality parameters to be monitored, and the costs required for remedial work and revegetation.

SMM Group employees who used to work at the Besshi Copper Mine and other Japanese mines that are now closed have been transferred to other workplaces or given assistance in finding new jobs.

Reserves for Mine Closures

Mine	Reserve name	Reserves (2013)
Hishikari Mine	Mine pollution control reserve	¥19.22 million
Pogo Mine	Reclamation Bond	US\$57.10 million*

* Total reserves for the entire project. The burden of costs, when they actually incur, will be divided among companies according to their participating interest.

In the Philippines, we are required to submit a closure and cleanup plan, not only for closure of the mine, but also for the refinery and mineral processing plant at the Coral Bay Nickel Corporation (CBNC). We are also required to put aside funds needed for the closure of any related workplaces. The total cost according to the closure plan submitted by CBNC to the Department of Environmental and Natural Resources (DENR) is 110 million pesos, and funds will be set aside every year for an eight-year period starting in 2012.

We are also providing assistance via SDMP* to help local residents make a living (such as in the farming and fishing industries) even after closure of a facility.

* SDMP: Social Development Management Program, conducted by a company for the sake of the welfare of residents living in an area of its business activities

Involvement with Local Communities

Agreements are entered into communities in line with the law at the Pogo Mine and other mines, smelters and refineries in which the SMM Group has more than a 50% interest.

In 2013, budget briefings were held in April and September.

The ComRel (Community Relations) section was established under the CBNC General Affairs Department. By means of the Information Education Campaign (IEC) activity, this section is regularly sharing information with the 11 impact barangays in the Rio Tuba area. Once every two months, CBNC top management holds a discussion with the authorities in Rio Tuba in order to exchange ideas with the local communities, which passes on an understanding of our activities and helps to create a stabilized business.

As part of the process of obtaining a permit for the Pogo Mine, “G2G consultations” were undertaken by the Alaska state government. This involved providing explanations about the project to communities located within a radius of 200 km from the Pogo Mine, in particular 13 indigenous communities within the Tanana River basin, and gathering their opinions.

Communication with local citizens has continued on a regular basis even after the commencement of operations. During 2013, three sessions were held to disclose information to local residents and other stakeholders, and we provided briefings on operations. So far, there have been no pending issues resulting from complaints from indigenous communities in the area surrounding the Pogo Mine or other mines, smelters and refineries in which the SMM Group has more than a 50% interest.

Social Contribution Activities

The SMM Group carries out a wide range of social contribution activities in Japan and overseas. The Corporate Citizenship Subcommittee within the CSR Committee has been deliberating on specific social contribution measures suitable for SMM, which is aiming to become “a company in which employees are proud to work along with the company on social contribution activities rooted in the area,” as expressed in the Vision for 2020.

Initiatives centering on the four areas below were implemented in each location during 2013:

- (1) Support for personnel training and infrastructure maintenance in local communities
- (2) Restoration and reconstruction support after devastating disasters in Japan and overseas
- (3) Support in the fields of the environment, academia and culture
- (4) Support for employee activities that contribute to society

Major Donations in FY2013

Support for areas in Japan and overseas struck by disaster

- Contribution for typhoon-damaged Izu-Oshima Island
- Contribution for typhoon damage in the Philippines
- Contribution collected by employees for typhoon damage in the Philippines
- Contribution for earthquake damage in Sichuan Province, China

Support for the areas struck by the Great East Japan Earthquake

- Contribution to the Iwate Learning Hope Fund
- Contribution to the Great East Japan Earthquake Miyagi Children's Education Fund
- Contribution to the Great East Japan Earthquake Fukushima Children's Fund
- Donation of rice produced in Kyowa, Hokkaido
- In-house activities, including a seminar on the conditions in affected areas and a spot sale of produce from Miyagi Prefecture

Academic support

- Support and contribution to universities, support for the protection of cultural assets, etc.
- Contribution to the Japanese Foundation for Cancer Research

Nature conservation

- Contribution to the Keidanren Nature Conservation Fund

Examples of Social Recognition

Some of the awards received by the SMM Group in FY2013.

Recognition (Awarding party)	Date	Recipients	Award received for
Medal with Yellow Ribbon (Cabinet Office, Government of Japan)	November 3, 2013	Shigeo Hata Sumiko Resources Exploration & Development Co., Ltd.	Involvement in the development of mines for 34 years, and efforts to train workers, improve productivity and create “safety first” workplaces
Award for Excellence in Corporate Disclosure (Securities Analysts Association of Japan)	October 11, 2013	Sumitomo Metal Mining Co., Ltd.	Ranked No. 1 in the Iron/Non-ferrous Metals Category as evaluated by securities analysts (three consecutive years)
Best IR Award (Japan Investor Relations Association (JIRA))	December 16, 2013	Sumitomo Metal Mining Co., Ltd.	Excellence in investor relations activities (second award, first time in two years)
FY2013 Award for Excellence in Plant Energy Management (Director-General of the Kyushu Bureau of Economy, Trade and Industry)	February 28, 2014	Hishikari Mine Dept.	Initiatives for energy conservation both inside and outside mines: improved unit energy consumption by 9.7%, and reduced peak power usage by 12.5%
Young Driver Safety Club Award for Enterprise Excellence (Chief of Tochigi Police, Chairman of the Tochigi Prefectural Association of Driving Safety Managers)	March 4, 2014	Tochigi Plant Sumitomo Metal Mining Siporex Co., Ltd.	Initiatives for raising road safety awareness, such as club members performing safety patrols and holding in-house traffic safety classes

Relations with Society

Main Organizations in Which SMM Has Membership		
Organization	Responsibilities of SMM officers and employees	Initiatives relating to public policy
Nippon Keidanren	Participation in committees on: industrial technology, risk management, Canada, environment and safety, oceanic resources, international cooperation, China, South Asia, Japan-Myanmar economic relations and Japan-Brazil economic relations	As a unified business organization with the goal of making improvements to the autonomous growth of the domestic economy and to public life, we act reliably and swiftly after gathering opinions from the business world with regards to various internal and external economic challenges
Japan Mining Industry Association	Director; participation in committees relating to planning and coordination, energy, overseas development, environmental management, customs duties, funds, supply and demand, taxation, exploration and development, mining reserves (chairman and deputy chairman), sulfide ore and sulfuric acid, and the special committee for depletion allowance measures	Submission of mining industry policy demand to relevant government agency regarding electricity fee issues, taxation, resource development, smelting and recycling technology, mine safety, and development of employee training. Members to be sent to government sponsored investigative committees to present industry viewpoint.
The Sulphuric Acid Association of Japan	One director; participation in Operations Committee and Technical Committee	Communicating policy and information from the Manufacturing Industries Bureau of the Ministry of Economy, Trade and Industry to member companies and compiling and presenting requests from member companies
International Council on Mining and Metals (ICMM)	Participation and promotion of activities in each of the following committees: Environment and Climate Change, Health and Safety, Materials Stewardship, Social and Economic Development	<ul style="list-style-type: none"> • Environment Initiatives for biodiversity, global warming countermeasures and water management • Health and safety Enhanced performance through use of benchmarks and sharing of health and safety information • Materials stewardship Initiatives for science-based chemical substance management and supply chain management • Society and economy Promotion of EITI activities, preparation of various toolkits and guidelines, and promotion of best practice
Japan Society of Newer Metals	Director; participation in Target Group and Compound Semiconductor Group	Hearings with government in relation to policy (rare metal reserve issues, etc.)
Japan Electronics and Information Technology Industries Association (JEITA)	Participation in Electronic Components Board and Electronic Materials Committee	Collection of various statistics, and participation in reviews of regulations, environmental measures and other issues
Battery Association of Japan	Associate member	

Involvement with the International Community

ICMM Membership

The International Council on Mining and Metals (ICMM) aims to provide leadership on sustainable development initiatives for the mining and metal refining industries.

The SMM Group reflects the ICMM's 10 Principles in its CSR Policy and issues reports in line with the GRI guidelines, as is required of all member companies. As a corporate member, we also carry out a variety of initiatives, including ensuring conformance with position statements adopted for the 10 Principles.

SMM's three core businesses are mineral resources, smelting and refining, and materials. In the mineral resources and smelting and refining businesses, our aim is to become a world leader in the non-ferrous metals industry, and so we are pushing ahead with mineral exploration activities overseas and bolstering investment in existing mines. Seeking greater opportunities for operating on the global stage, SMM hopes to contribute to the development of the mining and metal refining industries in harmony with society.

The 10 Principles of the ICMM

- Principle 1:** Implement and maintain ethical business practices and sound systems of corporate governance.
- Principle 2:** Integrate sustainable development considerations within the corporate decision-making process.
- Principle 3:** Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
- Principle 4:** Implement risk management strategies based on valid data and sound science.
- Principle 5:** Seek continual improvement of our health and safety performance.
- Principle 6:** Seek continual improvement of our environmental performance.
- Principle 7:** Contribute to conservation of biodiversity and integrated approaches to land use planning.
- Principle 8:** Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- Principle 9:** Contribute to the social, economic and institutional development of the communities in which we operate.
- Principle 10:** Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

ICMM Position Statements

ICMM has adopted the following position statements to complement the 10 Principles. SMM follows through on these position statements.

Note: The position statements below are summarized versions of statements issued by ICMM

- 1. Transparency of Mineral Revenues**
Support for the Extractive Industries Transparency Initiative (EITI)
- 2. Policy on Climate Change**
Work to reduce greenhouse gas emissions
- 3. Mercury Risk Management**
Carry out responsible management of mercury
- 4. Mining and Protected Areas**
Undertake not to explore or mine in World Heritage properties
- 5. Mining and Indigenous Peoples**
Respect indigenous peoples and their rights
- 6. Mining: Partnerships for Development**
Enhance mining's social and economic contribution

Declaration of Support for the EITI

The Extractive Industries Transparency Initiative (EITI)* is an organization aiming to promote social and economic development in countries which produce mineral resources by ensuring that money, such as taxes paid to governments from corporations that extract mineral resources, flows back into those countries or regions.

It is sometimes the case in resource-rich countries, where societal and economic development is often stagnant, that revenues generated by resources are not invested effectively in the country's development, leading instead to problems such as poverty, conflict and corruption.

These are global issues, and advanced nations and corporations are being called upon to play a part in resolving them. SMM agrees with the objectives of the EITI and supports its activities. As of October 2013, the Philippines, the Solomon Islands and Indonesia are the only candidate countries in which SMM is conducting business.

* Extractive Industries Transparency Initiative homepage: <http://eiti.org/>

The EITI Principles

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make—including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.



Contribution to Society and Local Communities

Contributions to Maintaining and Developing the Living Conditions, Culture and Traditions of Local Communities

On-demand Lesson in Peru



▲ A talk on robotics at a community center in Peru

While on site exploring for minerals in a mountainous area in Peru, we were asked by children from a nearby village to give a talk on Japan's advanced science and technology. It was a chance to visit the village community center and speak about Japan's state-of-the-art robotics while mixing it up with some video clips. Seeing such images for the first time, the children listened with great interest.

In most cases, the community contribution wanted by local residents is economic assistance, and it is normal for this to be given in the form of the provision of goods. However, I believe that leaving as many intangible *assets* as possible leads to contributions to the local community in the true sense of the word. Education is a notable example of such *assets*. That such a project was implemented at the request of the children themselves was also an unexpected joy for us.

One child in the audience asked, "Why is it that Japanese can do these things but we can't?" I answered with hope, "Not at all. Everyone is capable." I hope to continue helping to make this happen.



Tomohito Fujinami
Sumitomo Metal Mining Peru S.A.

Tenryu River System Environmental Picnic



▲ Participants picking up litter as they walk along the Tenryu River

The Tenryu River System Environmental Picnic is organized by the Nagano Techno Foundation, and Shinko Co. Ltd. has been taking part since 2009. Every year, about 70 employees and their families walk along the Tenryu River, which flows through the center of the town of Minowa, picking up litter as they chat, and experiencing the blessings of nature.

Initially starting out as an activity called "Creating a Society in Harmony with Nature," its aim was for the development of local industry and symbiosis with the natural environment, by getting participants to think about the significance and importance of sorting garbage and getting them to see the current state of the Tenryu River firsthand. It has since developed into a major event with 100 companies and 5,000 people participating from the basin of the Tenryu River in southern Shinshu.

In the first year, just a few volunteers from Shinko Co., Ltd. participated as part of the team from the Minowa Town Chamber of Commerce & Industry. There were also some corporate teams comprised of participants from the same workplace.

Being a company like ours, which manufactures printed circuit boards and uses lots of water for cleaning at each process before emitting it into the Tenryu River, the following year, intending to actively preserve the environment as part of our corporate responsibility, we began appealing to all employees to participate in the event. By getting all employees to take shared ownership of this significance, the event has gradually taken root.



Hiroshi Oowa
Safety & Environment Control Dept., Administration Div.
Shinko Co., Ltd.

Presentation of President's Letter of Thanks for CSR Endeavors

The following people were presented with Letters of Thanks for CSR endeavors by the President at the ceremony held on June 19, 2014.

Recipients	CSR activity recognized
Kazutaka Kikuchi Finance & Accounting Dept.	Kikuchi has been conducting volunteer activities all the while since July 2011 immediately following the Great East Japan Earthquake in areas in Miyagi Prefecture, especially in Sendai City and Minamisanriku Town. Starting with the removal of rubble and the digging out of debris flow immediately following the earthquake, he has been involved in more than 98 activities in total, including restoring rice and vegetable fields, supporting the aquaculture industry in coastal areas, and a visit to a makeshift housing complex by a <i>Hyottoko</i> (comically distorted masks) traditional performing arts group from Hyuga City.
Akira Nagata Hishikari Mine Dept., Mineral Resources Div.	Having successively held a number of key posts in Isa City, such as chairman of PTAs at elementary, junior high and senior high schools, Nagata has also been involved in youth guidance activities and blue light patrol activities commissioned by the Isa Police Station, as well as community activities to create places of recreation and relaxation where sports can be enjoyed by all generations, establishing a comprehensive community sports club. In 2012, in recognition of these activities, Nagata was commended by Isa City for distinguished services in social education.
Non-Ferrous Metals and Materials Division, CBNC Laurence Amores Fe Madona Peralta Gomer Pasingco Hamera Gabinete Ernesto Llacuna Briccio Abela Gerold Allen Argonoso	In response to a mass diarrhea outbreak in 2011 near Coral Bay in the Philippines (147 people complained of symptoms, 16 people died), CBNC and Rio Tuba Nickel Mining Corporation made a joint decision to introduce facilities for supplying potable water. This division of the Community Relation Section was in charge of the installation work and for providing hygiene education to local residents. After the water intake facilities had been installed, education—such as on how to use the faucet, usage limits, cleaning and handling malfunctions—and the careful installation measures—such as water quality testing—proved effective, and the division drew praise from both local residents and the administration for “clean drink water which resulted in fewer sick people.”
Takashi Hashikawa NCA Project Dept. Materials Div.	As chairman of the Niihama-City PTA Federation, Hashikawa rallied together the elementary and junior high school PTAs in Niihama City, and recruited 48 junior high students from Niihama City to visit Rikuzentakata City in Iwate Prefecture for three nights and four days. There, they participated in volunteer activities and a social event. A briefing session on the visit was held in September. Hashikawa also invited a total of 10 junior high students and elderly people affected by the disaster to come from Rikuzentakata City to Niihama City, where a social event was held with a crowd of 60 volunteers from local elementary, junior high and senior high schools, as well as from Ehime University and Matsuyama University.

SMM President, Yoshiaki Nakazato, Gave the Following Words of Congratulations to All the Recipients

Through your activities, you have contributed to society, and now you have been recognized for having raised the social credibility of the SMM Group. I expect that your efforts will also serve as model CSR activities for future employees. I hope that you will steadily continue your respective activities, personifying the spirit of CSR activities.



▲ Recipients of the President's Letters of Thanks for CSR Endeavors (front row)

My Way of Doing Good



At the Nagoya Branch, we participate in cleanup activities in the city as a contribution to the community, although it is only once a year. Again this year, employees from SMM and group companies undertook cleanup activities on June 7 in the vicinity of the Nagoya TV Tower. These cleanup activities are conducted every year as a way for Sumitomo companies to embody their contribution to the community. Nagoya is famous for its intense heat in summer, and through these cleanup activities, I hope we can convey to our local stakeholders the burning passion we feel for the local community.

Miyoko Ueda Nagoya Branch



Initiatives in the Six Key CSR Areas

Respect for People and Human Rights

Vision
for 2020

- ▶ A company that respects human rights and diversity of employees, develops employees with high awareness of human rights, and gives equal opportunities depending on motivations to work and abilities of employees
- ▶ A company that respects human rights of people who are affected by business activities of the SMM Group
- ▶ A company that does not get involved in complicity with an entity that causes violations of human rights at areas with undeveloped social infrastructure and at troubled areas

Target	FY2013 Achievements
Implement human rights education throughout the entire SMM Group and make progress on establishing workplaces free of human rights infringements and cultivating employees with strong human rights awareness	<ul style="list-style-type: none"> ● Made SMM Group Human Rights Policy training materials. Also created English, Chinese (simplified and traditional) and Spanish versions for training at overseas facilities and carried out through all areas. ● Human rights education included in new employee training and newly-promoted section manager training ● Established the Committee for the Promotion of Respect for Human Rights on April 1, 2013 Conducted test runs of human rights due diligence¹ processes at one business location each in Japan and overseas <p><small>1. Human rights due diligence: Careful investigation to check for human rights concerns prior to an undertaking</small></p>
Promote understanding about diversity and make progress on establishment of workplaces where diverse talents can work dynamically and with motivation	<ul style="list-style-type: none"> ● Failed to meet the statutory disabled employees ratio, but made posts that can be filled by disabled employees at Head Office in order to increase employment of disabled people ● Conducted training on promoting women's career development for managers, supervisors and female employees. Regarding systems, introduced such provisions as leave and return-to-work consultations and reduced working hours systems through discussions with workers' unions. Also finished scheduled placement of female lockers and showers and other infrastructure at business locations. ● Accepted a Bridge Person² from the Philippines. Accepted an intern from China, who has now been employed. <p><small>2. Bridge Person: A program whereby local employees at overseas facilities work for a limited period of time at a business location in Japan</small></p>
Learn about and understand worldwide human rights issues and how corporations impact human rights. Implement necessary measures like awareness activities on an ongoing basis	<ul style="list-style-type: none"> ● Compliance seminar (Basic course) was conducted on September 17, 2013. Compliance seminar (Advanced course) was conducted on February 14, 2014. Overseas management training was conducted twice on June 13-14, 2013, and January 24-25, 2014. Contents of the above are changed in the annual revision. ● Conducted test runs of human rights due diligence studies covering employees at Ome District Division and CBNC
Refuse to be complicit in human rights infringements while appealing to parties within the supply chain over which the SMM Group has influence to prevent human rights infringements	<ul style="list-style-type: none"> ● Decided on a basic approach to human rights due diligence covering the supply chain

Expectations for the SMM Group

What is your evaluation of the SMM Group's activities during FY2013?

You have made training materials based on the SMM Group Human Rights Policy and carry out human rights training, even at overseas facilities, and this is what a global corporation is supposed to be. You also conduct compliance training, but I would like to see you build upon the human rights education programs you implement to foster awareness and a different mentality among employees in order to cultivate everyday human rights sensitivities that go beyond business settings. There are also some areas where the attainment level and progress of measures is somewhat hard to comprehend.

Establishing key performance indicators (KPI) with specific targets during the planning stage allows more objective evaluation of attainment and progress, so I hope you will give this some thought.

In your view, what does society require in regard to respect for people and human rights?

In mineral resources and mining businesses, the biggest impacts on the environment and society occur within the supply chain. For the nickel refining project in the Philippines, SMM provided assistance for the relocation of local residents after first having gained their consent and understanding. In situations where human rights risks are extremely high, it is important that you develop systems and create opportunities for dialog that allow you to listen to the concerns and complaints of people in the community, and also that you devise preventive measures and response measures, such as implementing comprehensive human rights training when hiring security personnel, ensuring the safety of employees, and maintaining a fully equipped working environment. In FY2013, you started looking into human rights due diligence covering employees, and you have stated that this year you will fully extend the scope to the entire SMM Group, and will conduct a test run of human rights due diligence covering the supply chain. I am therefore looking forward to seeing your future initiatives.



Kaori Kuroda
Executive Director, CSO Network Japan

Basic Approach

The SMM Group Corporate Philosophy states that, based on respect for all individuals and in recognition of each person's dignity and value, SMM is seeking to be a forward-minded and vibrant company. The CSR Policy declares that, in order to continue sound business activities, SMM shall respect human rights and shall try to be a company in which diverse human resources take active parts. 3-Year Business Plan integrates these ideas from the philosophy, policy and other statements into human resources strategy, through which we are pursuing a wide range of initiatives.

Challenges	FY2014 Plan
<ul style="list-style-type: none"> ● Regular SMM Group Human Rights Policy training is needed at all facilities and training effectiveness has to be confirmed through human rights due diligence 	<ul style="list-style-type: none"> ● Conduct SMM Group Human Rights Policy training at subsidiaries in Japan and overseas during Human Rights Week in December ● Continue to include human rights education in new employee training and newly-promoted section manager training, and particularly focus on human rights in training for human resources personnel ● Hold regular meetings of the Committee for the Promotion of Respect for Human Rights <ol style="list-style-type: none"> 1) To check, plan and enforce human rights education 2) To inspect what is being done about human rights issues that arise
<ul style="list-style-type: none"> ● While continuing efforts to make posts that can be filled by disabled employees, SMM needs to accumulate know-how which SMM does not currently possess about systems, programs and other provisions for supporting disabled employees 	<ul style="list-style-type: none"> ● In order to attain the 2.0% statutory disabled employees ratio, continue to create workplaces that allow disabled employees to play active roles in a group ● Regarding support for women's careers: <ol style="list-style-type: none"> 1) Raising awareness Conduct training for managers and supervisors, all the female employees, and female management track employees 2) System review Study and implement female support measures appropriate to an Excellent Company of Japan 3) Infrastructure placement Check if there are facilities which are a hindrance to women in their work 4) Others Vitalization of "Shining Employee" electronic bulletin board system, serializing of regular column in <i>Ibuki</i> in-house magazine, and support for returning from maternity and child-care as a part of female career support measures and so on ● Continue accepting Bridge Persons and trainees from overseas facilities
<ul style="list-style-type: none"> ● Establishment of methods and parameters for human rights studies within the SMM Group with consultant guidance 	<ul style="list-style-type: none"> ● Conduct compliance seminar (basic course and advanced course). Schedule special training for group company presidents in addition to existing compliance education. Training is scheduled for senior management of group companies, including officers originally employed at those companies. Continue to conduct for overseas management training twice per year. ● Regarding human rights due diligence, conduct studies for employees worldwide during this fiscal year. Conduct a test run of studies covering the supply chain. Prepare to start activities relating to studies covering local communities in 2015 by gathering required information this fiscal year.
<ul style="list-style-type: none"> ● At this time, we are not sure which suppliers SMM can influence, and how SMM can influence them 	<ul style="list-style-type: none"> ● With consultant guidance, look into specific measures regarding human rights studies covering local community residents, are scheduled to be started in 2015. Until then, steadily carry out human rights training for employees at each business location.

Subcommittee Chairman's Comment

Progress in FY2013

Aiming to become a company worthy of being called "World Leader in the Non-ferrous Metals Industry" and an "Excellent Company of Japan," we made steady progress again in FY2013 on basic initiatives in the form of human rights training at SMM Group companies in Japan and overseas to firmly instill knowledge about the SMM Group Human Rights Policy, as well as promotion of diversity at SMM, for example through hiring of female management track employees and foreign exchange students, and creation of posts that can be filled by disabled employees. We also stepped up our support for the careers of women through ongoing enhancements to the various programs and implementation of training. As a result, we were selected for the second consecutive year as a Nadeshiko Brand for encouraging female employees to play active roles in the workplace.

Furthermore, in FY2013 we devised and conducted test runs of a human rights due diligence system for within the SMM Group. In FY2014, we will begin full-scale implementation of the system, conducting ongoing studies to determine the level of human rights awareness and to identify any related issues in the contexts of the SMM Group Human Rights Policy and international standards, such as ISO 26000. Appropriate action will be taken as required. Additionally in FY2014, we are looking into extending this system to encompass the entire supply chain and plan to implement due diligence studies, prioritizing suppliers according to their higher importance.

Response to Stakeholder Comments

Regarding KPI, while many aspects, such as human rights awareness and organizational culture, are hard to quantify, the setting of clear targets is vital for explaining the progress of activities. We will respond appropriately through reference to the results of regular employee awareness surveys, for example relating to the degree of openness in workplaces and supervisors' understanding of their employees.



Hiroyuki Asai
Chairman, Human Rights & Human Resources Development Subcommittee; Executive Officer; General Manager, Personnel Dept.



Human Rights Initiatives

Human Rights Considerations When Making Investments

When making investments or equity contributions, the SMM Group confirms the absence of intrinsic issues relating to human rights, such as discrimination, forced labor or child labor. Projects are also screened for risks during the decision making process using check sheets. Continued monitoring is conducted after the investment or equity contribution, for example through board meetings of the company invested in. If an issue arises, we will demand its resolution. In FY2013, although one of the five investment projects proposed at Management Meetings fell under the scope for checking, it was confirmed that no human rights issues existed.

Relocation of Local Citizens for Development

Hishikari Mine and Pogo Mine are excavated using underground mining techniques involving the digging of drifts in the ground, which means the impact on the surface is relatively low. Even so, there are occasions when we inevitably have to ask local citizens to relocate to make way for development of the mine or the construction of associated facilities. On such occasions, we seek the approval and understanding of local citizens and offer alternative land. During the initial development phase of the Hishikari Mine, we requested and carried out relocation of three households in total from 1983 to 1989. No citizens had to be relocated for development of the Pogo Mine.

For the Taganito Project, which started commercial production in October 2013, we asked 41 households in areas to be affected by the plant's construction to relocate. A relocation plan was formulated in line with the World Bank's Operational Directive on Involuntary Resettlement. With the agreement of all citizens the relocation was completed by December 2010. We are implementing ongoing measures to support the sustainability of the relocated citizens' lifestyles, such as technical assistance for crop cultivation in their new places of settlement.



▲ A ceremony in Taganito for the signing of an agreement on relocation of citizens

Prevention of Child Labor and Forced Labor

We gain knowledge of current conditions through questionnaires sent out to group companies in Japan and overseas. No reports of child labor or forced labor were received during FY2013.

Artisanal and Small-scale Mining

As of July 2014, there were no cases of work environment issues relating to artisanal and small-scale mining (ASM) in regions where SMM operates. Nor did SMM have any programs for involvement in ASM.

Human Rights Seminars

Human rights seminars are held regularly, the primary objectives being to deepen awareness of potential human rights issues in the workplace and to prevent them from occurring. These seminars are held mainly for officers and managers at Head Office divisions, while seminars at business divisions and district divisions target a broader range of employees.

Having established the SMM Group Policy on Human Rights, we intend to enhance human rights education further.

Preventing Sexual Harassment

To prevent sexual harassment, each business facility has a dedicated consultation office and a designated sexual harassment prevention promotion officer. No incidents falling under the category of sexual harassment were reported during FY2013.

Enhancing Management of Human Rights

From FY2013 the SMM Group began studying the construction of a Group-wide human rights management program that incorporates a human rights due diligence framework. We aim to build a structured system to prevent and avoid complicity in either direct or indirect violations of human rights, and to respond appropriately to any concerns which come to light.

The system will apply to Group employees both in and outside Japan, persons in the supply chain who may be affected by the Group's activities, and local residents in the areas in which the Group conducts its business activities. We have established working groups for each of these target scopes and have begun studying the issues. Test runs covering employees were implemented in FY2013 and will be extended to the entire Group from FY2014.

Human Resources Development Initiatives

Human Resources Development Program

In order to realize the growth strategy put forward in its 3-Year Business Plan, the SMM Group has defined the human resources it is looking for: people who see opportunity in change, perceive issues correctly, and push forward with determination toward finding solutions.

A framework structured around three components—on-the-job training (OJT), which is the primary component, self-development, and off-the-job training (OFF-JT)—has been put in place to develop such human resources. We also systematically carry out more specialized education through human resources development programs created for different job types.



▲ Newly promoted E-class employee training



▲ Newly promoted section manager training



▲ Newly promoted general manager training



▲ Middle management program (MMP)

Specific Human Resources Development Initiatives

In particular, we focus on these human resources development initiatives:

- (1) International employee development
- (2) Next-generation senior management development

We also intend to introduce new programs and review existing training programs as required.

International Employee Development

The globalization of business has created a need for human resources who can actively pursue SMM's business strategy at overseas facilities and within markets for each of our main businesses.

Acknowledging that the development of such human resources needs to start as early as possible, SMM implements a short-term overseas training program whereby all new management track employees are seconded overseas for a two-month period. More than just an opportunity to polish up language skills, the program is designed to bring about general improvements to the employees' ability to accommodate other cultures and their ability to act under their own initiative in an overseas setting.

Training in business skills, which are perhaps one common language within a global business, is also readily incorporated into the different types of management training and training for employees promoted to new positions. International employee development is thus approached from a number of angles, not simply from the language aspect.

Next-generation Senior Management Development

Bottom-up training of the entire workforce used to be the main objective, but in FY2008 we also launched a specialized program for training the next generation of senior managers. Section manager-level and general manager-level personnel with the potential for a future senior management role at the company are selected for the program, which is carried out over about six months and is designed to help them develop a senior manager's perspective.

Another program launched in FY2011 for newly promoted general manager-level personnel involves current officers in charge at each workplace providing guidance and advice to participants on a one-on-one basis to let them develop a sense for management, and participants themselves playing a leading role in actually addressing managerial issues faced by the company and observing the results.

Bridge Person Program

To help bring about further globalization, SMM has established the Bridge Person Program, whereby local employees at overseas facilities work for a limited period of time at a business location in Japan. Objectives of the program include stimulating awareness about diversity in the host workplace (and in part, having employees become familiar with using the English language), as well as promoting greater understanding about the way operations are advanced overseas.

The Personnel Department was the first to try out the program, hosting the head of the General Affairs Department at Sumitomo Metal Mining Philippine Holdings Corporation (SMM-PH), Ledda Imbang, between October to December 2013 as a Bridge Person to assist with tasks relating to training of overseas facility senior management. While there was some initial hesitation within the host department, by the end everyone had become so close to Ledda that they were sad to see her go and gave her warm hugs on her departure. The experience also brought about a change in mentality among employees of the department, with some resolving to start studying English again.

Through coordination between origin and host workplaces, the program will be actively used to advance globalization at SMM.



▲ Ledda (3rd from left in front row) with members of the Personnel Dept.



Initiatives Relating to Employee Diversity

Working Environments Favorable to Women

A full-scale effort to create working environments favorable to women got underway in July 2012 with the establishment of the Female Activation Support Group within the Personnel Department. The aim of the group's activities is to develop SMM into a company where ambitious female employees feel motivated and are able to work dynamically, gaining a sense of personal growth through their jobs while demonstrating their full potential. Initiatives are undertaken in line with this policy under the following three main categories and made known throughout the company.

- 1) Promotion of awareness
- 2) Review of systems
- 3) Development of infrastructure

In FY 2013, training for managers and supervisors and for all female employees was held on 22 occasions, primarily at directly controlled workplaces. In FY2014, follow-up training to the above will be held, and related content will be added to training at a number of levels, such as training for management, human resources personnel and female management track employees. This is because support for women's careers has to be pursued with all individuals understanding that it is an extension of efforts to enhance the corporate competitiveness of the SMM Group and because it is paramount that they understand it is the first step in embracing diversity.



▲ Consultation for an employee returning to work

Systems mainly for providing support to employees returning to work after maternity and childcare leave were reviewed between 2013 and 2014, with revisions notified via the in-house bulletin and electronic bulletin boards

- Standardized consultations prior to taking maternity leave and prior to returning to work
- Added childcare-related reasons as grounds for staggered working hours
- Revised standards for selecting employees who take childcare leave as candidates for promotion
- Established special hourly childcare leave
- Revised provisions for use of company housing
- Enabled women to work under their maiden names

These systems allow employees who both work and raise children, and employees working with them, to think about and choose a suitable working style.

Also during FY2013, establishment of female lockers, showers and toilets progressed at four SMM-controlled plants and business locations, and reports on completion of infrastructure development were received from group companies, too. Establishing such infrastructure creates the right environment for expanding the responsibilities of women in the workplace.

The development and administration of a fair human resources system means there is no gender disparity in terms of basic salaries in the SMM Group.

Working with the Disabled

SMM has so far been implementing an action plan aimed at employing people with disabilities who are able to work at an existing workplace. But in order to realize our CSR Policy and respond to revisions to the statutory disabled employees ratio, we additionally started on creating workplaces that are adapted to the characteristics of people with disabilities, complementing our initiatives to date. This led to the employment of one intellectually disabled person in FY2013.

SMM's average disabled employee ratio for FY2013 came to only 1.84%, but we started accepting trainees from special schools and will now pursue activities with an eye to regular hiring of new graduates. At the same time, we will work to create workplaces that can take on people with disabilities, while promoting awareness about the intellectually disabled and advancing education about protecting the human rights of the disabled.

Support for Veteran Employees

Since revisions were made to SMM's manager re-employment system in FY2013, we have rehired all employees over the age of 60 who wished to remain employed. With an increasing number of people making use of the system, we have now started reviewing suitable levels of treatment and systems that can contribute to motivational improvements.

Initiatives Relating to Locally-hired Employees at Overseas Affiliates

The SMM Group clarifies recruitment processes for each overseas facility while adhering strictly to laws and ordinances of the respective regions. Fairness in job appraisal, including promotions, is also ensured.

Actual conditions are periodically confirmed through the implementation of Group-wide questionnaires.

Initiatives for Enhancing Work-life Balance

A satisfying lifestyle leads to satisfaction at work, too. Based on this belief, SMM is making efforts to enhance the work-life balance of employees.

Efforts include strengthening, and promoting the use of, various systems. In addition to restricting long working hours and encouraging employees to take paid leave, we have enhanced the reduced working hour system available during child care and established a new return-to-work system.

We are also directing energy into enhancing the child-care leave system, elderly and nursing care systems, and our response to the Japanese Law for Measures to Support the Development of the Next Generation.

In advancing these efforts, we make full use of labor-management councils for surveying current conditions and drafting specific provisions.

SMM Group Policy on Human Rights

The SMM Group's policy on human rights, in accordance with the SMM Group Corporate Philosophy and the SMM Group Code of Conduct, has been established as follows.

1. The SMM Group will comply with domestic laws and international standards relating to human rights and encourage persons within the Group, as well as outside parties over which the Group has influence, to work toward the realization of a society without human rights infringements.
2. The SMM Group will not allow harassment or other incidents of a discriminatory nature within the Group and will make efforts to prevent such incidents from occurring among outside parties over which the Group has influence.
3. The SMM Group will not engage in child labor or forced labor and will make efforts to prevent child labor or forced labor from occurring among outside parties over which the Group has influence.
4. The SMM Group will show other considerations to human rights in addition to items 1-3 above within the Group and in relationships with outside parties over which the Group has influence.
5. The SMM Group will establish appropriate measures and procedures for responding to human rights problems if they should occur.
6. The SMM Group will identify and stay aware of the current and changing state of human rights in the world, as well as the impact of corporations in the area of human rights, and carry out awareness-raising activities and other necessary measures on an ongoing basis.

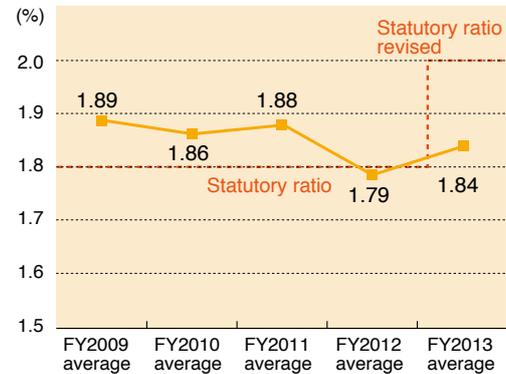
FY2013 Total Annual Hours of Education

(hours)

	Officers	General managers	Section managers	Regular employees	Other	Total
SMM non-consolidated	171	1,850	7,293	35,066	738	45,118
Consolidated subsidiaries in Japan	364	884	2,409	13,428	2,761	19,846
Consolidated subsidiaries overseas	739	151	3,326	43,471	2,706	50,393
Annual hours of education per employee	10.6	12.7		12.6	4.1	11.4

* Figures are limited to education/training organized by personnel and general affairs divisions

Disabled Employee Ratio Transition (SMM non-consolidated)



Human Resources Development Program (SMM Employees)

	OJT		OFF-JT					
	OJT program	Self-development assistance	Head Office employee (university graduate) education	Rank-based training	Specialized education	Outside placement	International training	Other
Officers								
General managers		Company-wide correspondence education Fee assistance for language proficiency tests		General manager follow-up training General manager second-year training Newly promoted general manager training	Executive management program Managerial issue study groups			
Section managers				Newly promoted section manager training	Middle management program Management basic course			
E-class	Introductory duty-based OJT for new employees			Newly promoted E-class employee training	Supervisor/line leader training Supervisor/line leader training follow-up training Brush-up training Outside seminars/workshops			
S-class				Newly promoted S-class employee training (at each branch office)		Pursue higher education in Japan Training in Japan	Language training prior to overseas assignment Overseas training • Global course • Training course • Short-term study/secondment course	Overseas management training Compliance seminars Human rights seminars Seminars relating to women's career support
F-class J-class			3-year new employee training program • Introductory training • Pre-departure training (for short-term overseas training) • Short-term overseas training • Second-year training	Newly promoted F-class employee training (at each branch office)	Prospective employee education New employee supervisor training			Hazard simulation training Equipment skills training

People and Human Rights-related Data

■ Number of Employees/Officers Worldwide (Consolidated) (March 31, 2014)

	No. of employees at year-end				Employees gender breakdown		Average number of non-regular/limited-term employees during year	Total	Temporary employees
	Full-time officers	Managers	Regular employees	Total	Male	Female			
SMM non-consolidated	20	442	1,656	2,118	1,891	227	231	2,349	89
Consolidated subsidiaries in Japan	61	364	2,809	3,234	2,744	490	412	3,646	173
Consolidated subsidiaries overseas	39	450	2,807	3,296	2,349	947	121	3,417	489
Subtotal	120	1,256	7,272	8,648	6,984	1,664	764	9,412	751

* The 20 full-time officers of Sumitomo Metal Mining Co., Ltd. and 764 non-regular/limited-term employees are not included in the figure presented in the Corporate Data on page 5 of this report, hence the different total here.

■ Number of Employees/Officers by Region (Consolidated) (March 31, 2014)

Japan	U.S.A.	South Korea	Peru	Chile	China	Philippines	Taiwan
5,995	335	6	14	35	852	1,077	437
Singapore	Malaysia	Thailand	Australia	Solomon Islands	Brazil	Total	
39	530	4	6	64	18	9,412	

■ Consolidated Employee Breakdown (March 31, 2014)

	Younger than 30		30–49 years old		50 and older		Total
	Male	Female	Male	Female	Male	Female	
Managers	34	8	666	69	468	11	1,256
Regular employees	1,449	609	3,416	876	828	94	7,272
Subtotal	1,483	617	4,082	945	1,296	105	8,528

* Full-time officers of Sumitomo Metal Mining Co., Ltd.: All male, 50 and older

* The 120 full-time officers and 764 non-regular/limited-term employees of the SMM Group are not included in this table, hence the different totals under "Number of Employees/Officers (Consolidated)" and "Number of Employees/Officers Worldwide (Consolidated)" on this page

■ Number of Locally-hired Senior Managers (General Managers and Above) at Overseas Affiliates (March 31, 2014)

Company	No.	
	Male	Female
Sumitomo Metal Mining Pogo LLC (USA)	1	1
Sumitomo Metal Mining Chile Ltda. (Chile)	2	1
Sumitomo Metal Mining do Brasil Ltda. (Brazil)	0	1
Coral Bay Nickel Corporation (Philippines)	4	1
Taganito HPAL Nickel Corporation (Philippines)	1	1
Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)	2	1
Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)	2	0
SH Asia Pacific Pte. Ltd. (Singapore)	3	0
Malaysian SH Electronics Sdn. Bhd. (Malaysia)	2	3

Company	No.	
	Male	Female
Malaysian Electronics Materials Sdn. Bhd. (Malaysia)	0	1
Sumiko Electronics Taiwan Co., Ltd. (Taiwan)	1	2
SH Electronics Chengdu Co., Ltd. (China)	1	1
SH Electronics Suzhou Co., Ltd. (China)	1	1
SH Precision Chengdu Co., Ltd. (China)	1	0
SMM KOREA Co., Ltd. (South Korea)	1	1
Shanghai Sumiko Electronic Paste Co., Ltd. (China)	2	1
Total	24	16



■ Employee Turnover Number and Percentage (FY2013)

Location		Younger than 30		30–49 years old		50 and older		Total
		Male	Female	Male	Female	Male	Female	
Japan	Departures	12	13	19	10	39	5	98
	Total employees	658	201	2,754	446	1,139	73	5,271
	Turnover (%)	1.8	6.5	0.7	2.2	3.4	6.8	1.9
U.S.A.	Departures	11	0	20	7	13	0	51
	Total employees	56	0	162	12	88	11	329
	Turnover (%)	19.6	0	12.3	58.3	14.8	0	15.5
South Korea	Departures	0	0	0	0	0	0	0
	Total employees	0	0	3	2	0	0	5
	Turnover (%)	0	0	0	0	0	0	0
Peru	Departures	0	0	0	0	0	0	0
	Total employees	1	1	6	2	1	1	12
	Turnover (%)	0	0	0	0	0	0	0
Chile	Departures	0	0	0	0	0	0	0
	Total employees	2	1	16	4	6	3	32
	Turnover (%)	0	0	0	0	0	0	0
China	Departures	170	103	26	28	0	0	327
	Total employees	253	171	244	157	7	3	835
	Turnover (%)	67.2	60.2	10.7	17.8	0	0	39.2
Philippines	Departures	18	7	16	0	2	0	43
	Total employees	383	131	412	85	19	4	1,034
	Turnover (%)	4.7	5.3	3.9	0	10.5	0	4.2
Taiwan	Departures	23	28	44	39	0	2	136
	Total employees	31	29	227	102	16	6	411
	Turnover (%)	74.2	96.6	19.4	38.2	0	33.3	33.1
Singapore	Departures	0	0	0	0	0	0	0
	Total employees	0	3	18	11	5	1	38
	Turnover (%)	0	0	0	0	0	0	0
Malaysia	Departures	42	31	19	14	1	1	108
	Total employees	96	77	216	120	12	2	523
	Turnover (%)	43.8	40.3	8.8	11.7	8.3	50	20.7
Thailand	Departures	0	0	0	0	0	0	0
	Total employees	0	0	0	0	0	0	0
	Turnover (%)	0	0	0	0	0	0	0
Australia	Departures	0	0	0	0	0	0	0
	Total employees	0	1	1	1	1	0	4
	Turnover (%)	0	0	0	0	0	0	0
Solomon Islands	Departures	0	0	0	0	0	0	0
	Total employees	1	1	20	2	2	1	27
	Turnover (%)	0	0	0	0	0	0	0
Brazil	Departures	0	0	0	0	0	0	0
	Total employees	2	1	3	1	0	0	7
	Turnover (%)	0	0	0	0	0	0	0
Total	Departures	276	182	144	98	55	8	763
	Total employees	1,483	617	4,082	945	1,296	105	8,528
	Turnover (%)	18.6	29.5	3.5	10.4	4.2	7.6	8.9

* Figures exclude 120 officers, 764 non-regular, 751 limited-term and temporary employees

* Turnover rate (%) = number of departures ÷ number of employees at fiscal year end × 100



Respect for People and Human Rights

Protection of Human Rights

The SMM Group has set forth a policy on human rights aligned with the SMM Group Corporate Philosophy and the SMM Group Code of Conduct. In determining the policy, opinions were sought both from within the Group, as well as from outside experts.

The policy prescribes compliance not only with domestic laws and ordinances relating to human rights, but also with various international standards. Furthermore, we plan to appeal to outside parties with whom the SMM Group has a relationship to prevent human rights problems from arising. There were no reports about discrimination equivalent to human rights infringement during FY2013.

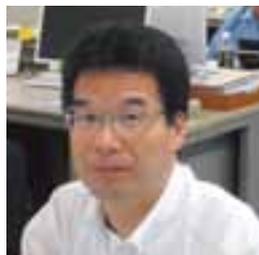
We are pushing ahead with the education of employees on human rights issues throughout the entire SMM Group.

Human Rights Education and Due Diligence

The SMM Group is striving to establish workplaces free of human rights infringements and to cultivate employees with strong human rights awareness. In 2013, with an aim of raising awareness and ensuring compliance with the SMM Group Policy on Human Rights, an instructor's manual was compiled in Japanese, English, Chinese and Spanish under the supervision of an outside expert on human rights, and education was delivered targeting all Group employees. Furthermore, in order to build a framework for managing human rights based on various international standards, we examined specific details for human rights due diligence (survey) among employees, and as part of this process, the SMM Group went out on location and conducted trial runs at the Ome District Division in Japan and at CBNC in the Philippines. From FY2014, we will incorporate the knowledge acquired from these trial runs and perform human rights due diligence among employees at all Group business sites, and we will follow the PDCA cycle for the Group-wide management of human rights.

Furthermore, from FY2014, we will also begin examining a framework to expand the scope of our human rights management to also include our supply chain and the local communities around where our businesses have operated.

We will continue to enhance the effectiveness of our SMM Group Policy on Human Rights, and to promote these activities so that SMM remains a company that enjoys the utmost confidence from society.



Hirokazu Yasuo
General Manager of
the Personnel Dept.

Human Resources Development

The SMM Group undertakes human resources development in line with the following basic approaches, as stipulated in our human resources development regulations.

- (1) Actively support the motivation and ambitions of employees
- (2) Tailor activity to match the advancement of each individual employee
- (3) Carry out activity in a systematic and organized manner on an ongoing basis with a view to the long term
- (4) Link activity to human resources management systems
- (5) Adapt flexibly to diversifying management needs

Human Resources Development in Engineering Divisions



▲ Plant Engineering Outcomes Forum

Even with an attitude and awareness of the need to develop human resources and the need to carry on technologies and skills, amid the pressures of immediate work, it is getting increasingly harder to spend much time for education. However, even in these circumstances, we must continue to nurture plant engineers who have the technological capability to support SMM's growth strategy of carrying out construction projects. In the Engineering Division, with an aim of (1) developing the capabilities of plant engineers as quickly as possible, and (2) visualizing the technologies possessed by them, we revised the previous education system, and in FY2010, we began using an improved "system for developing plant engineer personnel" with the aid of skills check sheets. A skills check sheet was prepared for each branch of engineering, such as mechanical, electrical and civil. The sheets are used for assessing several hundred skills, visualizing the levels of skills to be acquired and assessed each fiscal year, as well as for setting goals for the next fiscal year. To start with, engineers conduct a self-assessment and set their own targets, and then based on this, they communicate with the person responsible for training, before settling on goals that will improve their individual weaknesses and extend their individual strengths. Designing the system this way means

My Way of Doing Good



There are many kinds of people in workplaces and communities. We vary in personality, age, attitude and gender, as well as in our strengths and weaknesses. Even if I have a differing opinion to someone, I make a point of always acknowledging their view and showing respect. This is because I want to be a person who wishes for everyone to be happy, not just themselves and their family.

Mana Shiraki Materials Research & Development Center, Technology Div.

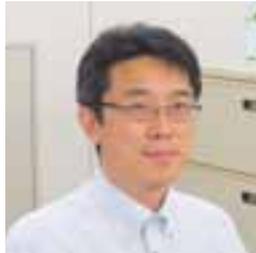


that the people providing the training can set goals, conscious of the skills that the engineer can acquire in specific occupations, and the person receiving the training can also perform their work, conscious of upgrading their own skills. Every year, by following this PDCA cycle, the results of each year of training will be obtained as a level of achievement, or improvement in numerical value. A real sense of their achievements will also be felt at the Plant Engineering Outcomes Forum. This is attended by employees with the experience of three, six and nine years of continuous service, as they mark milestones of their development.

By enhancing our engineering technologies, plant management technologies and plant development technologies in this way, we will be able to supply highly reliable and productive equipment, making it possible to construct plants capable of stable operations.

Kiyoshi Ohashi

Manager,
Production Systems Engineering Dept.,
Engineering Div.



evolving into an organization where more diverse employees, including women, can be actively involved, it will be possible for us to demonstrate a strength that is generated through diversity based on a new set of values, although the positive effects of this will not be immediately apparent. If we have never felt disadvantaged in the corporate environment, then we might have all the more doubt about such initiatives. Even so, with an eye to the future, we need to think about what direction should be taken.

Since 2013, we have put effort into training targeted at influencing workplaces, supervisors and employees in a way that diverse talents will be accepted and nurtured irrespective of gender or work style. As well as enhancing systems that support those employees who work and raise children, this could be described as building foundations necessary for developing a workplace environment that is both rewarding and where employees can balance work and home life.

Narumi Yoshida

Female Activation Supporting Group Leader,
Personnel Dept.



Employee Diversity

Given our aims to raise corporate competitiveness and achieve sustainable growth, we are making efforts to acquire and develop a diverse workforce comprising human resources who stand out as individuals and who can make a contribution toward attaining those aims.

Female Participation in the Workplace



▲Managing supervisors training

Initiatives supporting greater female participation can be regarded as an activity aimed at fostering a corporate organization and culture where diverse people can play active roles. As an organization that will continue to expand globally, such initiatives are essential for us to secure talented personnel and increase our competitiveness. By

Selected by the Tokyo Stock Exchange as a Nadeshiko Brand¹ for Career Support of Female Employees for Second Consecutive Year



On March 3, 2014, SMM was recognized for the second year in a row as a Nadeshiko Brand by the Tokyo Stock Exchange for its support for women in the workplace. Activities supporting greater female participation at SMM still have a long way to go, but this will encourage us to put even more effort into promoting these activities.

1. Nadeshiko Brand: Companies listed in the first section of the Tokyo Stock Exchange are scored based on two factors: (1) career support for women, and (2) support for women balancing work and family. Then, from among the top-ranking companies in each industry, those with superior financial performance are selected. In FY2013, 26 companies (from 33 industries) were selected.

My Way of Doing Good



When overseas trainees have just arrived in Japan and are in the same workplace as me, I make it a point to actively communicate with them, not just about work, but also about the good things I have noticed about Japan since coming here and the good things about SMM that I have personally experienced since joining. I do this to make use of my experiences as a non-Japanese employee, and so they can adapt quickly to life in Japan and working at SMM.

Zhu Bo Copper & Precious Metals Sales Dept., Non-Ferrous Metals Div.



Occupational Health and Safety

Key Measures for Achieving the Vision for 2020

Safety	Facilities:	Minimize risks for existing equipment through risk assessments. Ensure the inherent safety of new equipment.
	People:	Implement rank-based safety education (SMM <i>Anzen Dojyo</i> , hazard simulation training, group education, and education by outside instructors) to ensure that each worker accords safety the highest priority, and enhance the safety awareness and skills.
	Management:	Implement the PDCA cycle for safety activity (work observations, risk assessments, safety audits, etc.) with general managers of workplaces leading efforts to ensure safety within the organization.

Target	CY2013 Achievements
<p>Number of accidents in CY2013</p> <ul style="list-style-type: none"> ● Employees (SMM-controlled workplaces and group companies): 3 or fewer lost time; 10 or fewer in total ● Contractors: 2 or fewer lost time; 4 or fewer in total 	<ul style="list-style-type: none"> ● Number of accidents in CY2013 Employees: 1 lost time; 16 in total (17 additional small-scale accidents) Contractors: 0 lost time; 5 in total (1 additional small-scale accidents)
<ul style="list-style-type: none"> ● No new cases of occupational disease ● No Control Class 3 workplaces 	<ul style="list-style-type: none"> ● There were no new cases of occupational disease ● Number of Control Class 3 workplaces (as of March 2014) Dust: 3; lead: 0; nickel compounds: 3; arsenic and its compounds: 1; cobalt and its inorganic compounds: 15; chlorine: 2
<p>Promote the four cares (self-care, care by the organization, care by health staff, outside care)</p>	<ul style="list-style-type: none"> ● Continued meetings with industrial physicians for employees who worked long hours ● Mental health checks were implemented through employee assistance programs (EAP) (2,781 employees) ● Mental health care training was implemented (26 times) ● Industrial counselor training (3 counselors)

Expectations for the SMM Group

What is your evaluation of the SMM Group's activities during CY2013?

I have visited the sites of many corporations and accident numbers currently remain level right across the country. I sense stagnation of activities and a poor ability to pass down knowledge. In my view, there needs to be a break away from human-dependent "zero accident activity," and the key to that lies in the very basis of that activity—identifying and reducing hazards. A common problem I find is that a lot of activity is superficial rather than focused on pinning down the true causes. In the case of SMM, while the number of accidents is on a declining trend, I have felt during my observations and guidance at business locations since 2010 that similar problems keep arising. Although the issues do vary from location to location, there is a strong desire to deal with them through a united effort of everyone from top down to the people at the front line of operations.

In your view, what does society require in regard to occupational health and safety?

As SMM continues to develop as a global corporation, occupational health and safety initiatives are going to be a vital factor in the development of precious human resources, environmental improvements, and the strengthening of business foundations. In particular, I hope you will work to implement real countermeasures to accidents by enhancing in-house standards to ensure the safety of machines and equipment, as well as engage in *kaizen* (continual improvements), striving together, from design through to production, to gradually build up a greater sense of certainty about safety.



Noboru Furusawa
Representative, *Anzen to Hitozukuri* Support
(Safety and Human Resources
Development Support)

Vision
for 2020

A company that accords safety the highest priority and provides comfortable working environments

- ▶ No occupational accidents throughout the SMM Group (including business partners)
- ▶ Zero incidence of occupational disease
- ▶ Create workplaces where protective equipment (earplugs/masks) is unnecessary
- ▶ A vibrant company whose workforce is physically and mentally healthy

Physical Health

- Strengthen work environment improvements and maintenance with a priority on Control Class 3 workplaces¹.
- Gather information on chemical substance regulations and legal revisions and carry out appropriate action at related workplaces.

Mental Health

- Continue current activities and enhance mental health initiatives.

1. Control Class 3: The average concentration of a harmful chemical substance in the air in the work environment exceeds the control level

Challenges	CY2014 Plan
<ul style="list-style-type: none"> ● More than half of all accidents occurred at sites after they had achieved long periods without any accidents ● More than half of all accidents (including small-scale accidents) involved less-experienced employees ● Similar unsafe practices are being repeated 	<ul style="list-style-type: none"> ● Identify accident risks in priority areas ● Strengthen residual risk management ● Enhance education for less-experienced employees² ● Implement group education for individual workplaces ● Enhance safety management for contractors ● Develop safety leaders at the <i>Anzen Dojyo</i> <p>2. Less-experienced employees: Employees with less than five years' experience</p>
<ul style="list-style-type: none"> ● Work environment: Although on a declining trend overall as increases and decreases fluctuate, a zero level has not yet been reached ● Cobalt (newly included as a specified chemical): There are 15 Control Class 3 workplaces 	<ul style="list-style-type: none"> ● Strengthen the connection between health-related improvement plans and budgets (coordination with business divisions) ● Steadily implement and continue work environment improvements ● Manage use and maintenance of protective equipment ● Comply with new regulations and legal revisions relating to chemical substances
<ul style="list-style-type: none"> ● Implementing on an ongoing basis 	<ul style="list-style-type: none"> ● Counseling for employees who work long hours ● Mental health checks ● Mental health care training (managers, supervisors and regular employees) ● Industrial counselor training

Subcommittee Chairman's Comment

Progress in CY2013

Areas we focused on in the Occupational Health & Safety Subcommittee in CY2013 were the SMM *Anzen Dojyo* seminar for developing leaders who will take charge of health and safety management at sites, and risk assessment education to assist the assessment of and action against risk factors by top executives at each facility. Employees attending the *Anzen Dojyo* are asked to plan and administrate safety activities matching the actual circumstances at their own site. Top executives at workplaces also have stronger awareness now. Risk assessments, too, are continually improved through ongoing dialogue with ordinary workers, for example about ways to deal with remaining risks, thereby reducing the number of risk factors. This is to ensure that risks are not simply addressed through initiatives forced on workplaces from above. In 2013, while there were fewer lost-time accidents, the total number of accidents increased. Through activities suited to individual sites, I would like to work on preventing accidents before they occur.

Response to Stakeholder Comments

In CY2013, we started to review the safety of machines and equipment through joint efforts with the Engineering Division. We are working to unify rules and standards that will allow us to maintain safety of equipment at each facility, including electrical wiring and piping, right from the design stage. We will seek dialogue with not only operating sites, but also each of the business divisions at Head Office, to carry out appropriate investment aimed at realizing work environments where the top priority is making sure that all employees return home safely at the end of the day.



Takashi Sugiura
Chairman, Occupational Health & Safety Subcommittee, Executive Officer, CSR Executive Officer, General Manager, Safety & Environment Control Dept.



Occupational Health and Safety

Basic Approach

SMM engages in a wide range of activities in line with its CSR Policy, which states, "According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents."

The Vision for 2020 includes, "a company that accords safety the highest priority and provides comfortable working environments," stipulating the following four specific targets.

Safety • No occupational accidents throughout the SMM Group (including business partners)

Physical Health • Zero incidence of occupational disease
• Create workplaces where protective equipment (earplugs/masks) is unnecessary

Mental Health • A vibrant company whose workforce is physically and mentally healthy

Safety-related activities are advanced under a basic policy to "nurture a safety culture and ensure thorough safety management at all business sites and Group companies" in order to provide safety assurance and to realize the CSR Policy and Vision for 2020.

Health-related activities include ascertaining levels of dust, lead, noise, specified chemicals and organic solvents within work environments, making improvements to those environments where necessary, and enhancing occupational health management.

Occupational Health and Safety Management Frameworks

The executive officer with jurisdiction over the Safety & Environment Control Department, who takes responsibility for matters relating to health, safety and the environment, coordinates health and safety management for the SMM Group.

The general manager of each workplace is appointed health and safety manager for that workplace, as provided for under the Japanese Industrial Safety and Health Act. Health and safety management is advanced within the organization according to instructions given by the health and safety manager with the support of health and safety personnel.

Constructive discussion on ways to improve health and safety in the workplace takes place during meetings of the occupational health and safety committees comprising representatives from both labor and management.



▲ A meeting of health and safety personnel to share examples of improvements implemented at each site

Health and Safety Activities in the Workplace

The following are safety-related measures given priority during 2013.

- (1) Entrenchment of work observations¹
- (2) Implementation of accident prevention measures in priority areas
- (3) Implementation of group education for individual workplaces

(4) Strengthening of education for less-experienced employees

(5) Enhance safety management for contractors

To raise the effectiveness of measures, we implement activities with the focus narrowed down to the prevention of accidents peculiar to that workplace based on analysis of accidents which have occurred.

Safety activities are also advanced by employees of the SMM Group together with contractors.

Health-related activities during 2013 were pursued under the following themes.

- (1) Steady implementation and continuation of work environment improvements
- (2) Protective equipment usage management and upkeep
- (3) Enhancing awareness of, and communication about, the dangers and hazards of chemical substances
- (4) Compliance with stricter work environment regulations relating to chemical substances
- (5) Care as part of health management (e.g. health guidance for employees showing signs of conditions)

A labor-management agreement pertaining to dust, visual display terminals (VDT), lead and noise sets forth procedures for preventing illness and taking action when illnesses occur.

In regard to indium compounds, which were added as specified chemical substances in October 2012, procedures and improvements were being advanced in accordance with industry guidelines even before the regulations were introduced. With the addition of cobalt as a specified chemical substance, improvements to work environments are required at some workplaces and priority is currently placed on carrying out those improvements.

1. Work observations: Fixed-point observations of workers' movements

Activities at the Oji-kan Facility

The SMM Group's experience-based training facility, the Oji-kan, commenced hazard simulation courses in January 2010. By April 30, 2014, a period of roughly four years, a total of 4,200 Japan-based SMM Group employees and 3,000 contractor employees had undergone training there. In 2013, the Oji-kan made efforts to increase participant numbers by starting on-site hazard simulation courses, dispatching staff to workplaces. Workplaces also use the Oji-kan's facilities for their own independent safety activities.

Even overseas workplaces make good use of the Oji-kan. Every year, around 10 employees from Coral Bay Nickel Corporation (CBNC) in the Philippines visit the facility to take part in hazard simulation programs. The Pogo Mine in Alaska, the United States also sends a number of representatives each year to observe the facility and apply what they learn to safety activities at the mine.

Tours of the Oji-kan facility are also provided to other corporations and outside organizations. Every year, a large number of such corporations and organizations come to visit the facility.



▲ On-site hazard simulation—suspended load swinging hazard simulation

My Way of Doing Good



Dengue fever has been on the rise in neighboring regions in recent years and as a member of the team for advancing measures in the community to eradicate the disease, I have been promoting cleanup activities to improve health conditions in the community. Not only that, I also organize education for local public servants and health officers. For me personally, community contribution activities are a very fulfilling job, and I believe they are beneficial to both the local community and CBNC.

Hamera Gabinete CBNC



Anzen Dojo

The Safety & Environment Control Department has been running the SMM Anzen Dojo (lit. safety training center), to help stimulate safety activities and safety education at workplaces, since 2013. The purpose of the Anzen Dojo is to develop human resources and safety leaders who will be core safety promoters at each workplace. These safety leaders will head efforts to continually raise the standard of safety activities at workplaces.

The Anzen Dojo provides education about the mechanisms by which accidents occur, ways to lower risk, and other aspects of safety based on results from analysis of accidents which have occurred within the SMM Group in the past. Safety leaders will return to their workplaces with their newly acquired knowledge and put it to use, for example in group education and safety activities.



▲ A seminar at the Anzen Dojo (Oji-kan)



▲ Example of illustrations from training materials

Mental Health Care

Initiatives related to mental health care for employees include mental health care training by specialized institutions and health level self-checks. We have also established a health consultation system, which can be accessed at any time by employees and their families via telephone or our website.

Self-checks have continued in FY2013. Based on the results, training was conducted for guidance in respect to workplace communication. Practical training was implemented for managers and supervisors to enhance care of employees within the organization, along with basic courses for regular employees. A "return to work trial" system was also implemented to help employees who have been on long-term leave due to a mental disorder settle back into work life. We are also nurturing in-house mental health care specialists by having human resources personnel obtain industrial counselor qualifications.

In FY2014, we will continue to improve upon the four cares—self-care, care provided by the organization, care provided by health staff, and care provided by outside institutions.

Incidence of Occupational Accidents

The total number of accidents at workplaces in Japan during 2013 was 16, an increase from the best safety performance of 11 accidents achieved in 2012. There was, however, only one lost-time accident, the best result achieved so far.

There were 14 accidents at overseas workplaces. No fatal accidents occurred at workplaces in Japan or overseas. There were no instances of occupational illnesses at workplaces either in Japan or overseas. Note that this data is based on the calendar year, January to December 2013.

Data on Occupational Accidents in Japan

Year		SMM non-consolidated (directly controlled)	Group companies	Total
2013	All accidents	5	11	16
	Fatalities	0	0	0
	Lost time accidents	0	1	1
	Working days lost	204	97	301
2012	All accidents	3	8	11
	Fatalities	0	0	0
	Lost time accidents	0	3	3
	Working days lost	9	172	181
2011	All accidents	5	11	16
	Fatalities	0	0	0
	Lost time accidents	1	4	5
	Working days lost	313	60	373
2010	All accidents	8	11	19
	Fatalities	0	0	0
	Lost time accidents	2	3	5
	Working days lost	98	27	125
2009	All accidents	5	9	14
	Fatalities	0	0	0
	Lost time accidents	3	1	4
	Working days lost	453	1	454

* Boundary: SMM, subsidiaries in Japan, Nippon Ketjen Co., Ltd., N.E. Chemcat Corporation, and the Mie District Div. of Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

* No fatal accidents have occurred at SMM or a group company since 2004

* Working days lost also includes working days lost in the year of reporting for workers involved in accidents during the previous year

Issues and Targets

One safety issue is that less-experienced employees were involved in around 60% of all accidents in 2013, up from around 40% in 2012. This is thought to be due to inadequate education in workplaces about residual risks. Another issue is that workplaces which had previously maintained "zero accidents" status accounted for more than half of all accidents, suggesting that safety activities had fallen into a rut and that safety awareness had dropped due to long periods without accidents. Furthermore, similar accidents resulting from unsafe activities keep on occurring.

In 2014, we will advance key initiatives to address these issues, namely identification of accident risks in priority areas; strengthening of residual risk management; enhancement of education for less-experienced employees; utilization of group education; and enhancement of safety management for contractors.

In the area of health, the Safety & Environment Control Department will implement health patrols at Control Class 3 workplaces and provide guidance on improvements, which will center on improvements to work environments. We will continue to identify, and take necessary action on, the dangers and hazards of chemical substances while following legislative developments. In terms of mental health, we are enhancing mental health education for regular employees, managers and supervisors. Health management will continue to be advanced through implementation of health guidance, consultation and education by industrial physicians based on health examination results.

My Way of Doing Good



I love making improvements to the workplace and submit numerous improvement proposals throughout the year. When I joined Sumiko Kunitomi Denshi, 5S² activities were still not underway, but I feel the mood inside the company has become much brighter since they began. Through these efforts, I hope to implement a variety of improvements to make the company an even more cheerful place.

Tomomi Mizuno Sumiko Kunitomi Denshi Co., Ltd.

2. 5S: A platform of activities for managing the workplace, consisting of seiri (sorting), seiton (ordering), seiso (cleaning), seiketsu (maintaining cleanliness), and shitsuke (maintaining discipline)



Occupational Health and Safety

Safety Initiatives

We are working toward zero occupational accidents throughout the SMM Group (including contractors) by establishing safe workplaces all over the world.

Initiatives at the Pogo Mine



▲ Safety meeting at the Pogo Mine Ore Dressing Section

In conducting activities at the Pogo Mine, safety is regarded as paramount importance for everyone. Needless to say, in order to carry out operations safely, each individual worker must use protective equipment properly, but they must also understand how important their actions are for both themselves and their families. With this in mind, we conduct monthly safety campaigns for the purpose of repeatedly raising awareness in the workplace for potential risks. During these campaigns, management discusses with all levels of employees about such topics as securing safety systems and preventing recurrent injuries, and communicates the results of these discussions to all employees. Through these activities, the risk awareness of employees was clearly heightened.

In addition, by participating in various other meetings and engaging in direct dialog with employees, and by undertaking on site checks as part of their inspections, management and the Health, Safety and Loss Control Manager are also actively involved in the early detection, discussion and measures for any rule violations. Through these activities, we are working to create a workplace where all employees become safe workers who think for themselves. For example, if workers notice something, such as dangerous behavior by another employee or doubts about the safety of their own work, they are able to report it to their supervisors.



Chris Kennedy
General Manager
Sumitomo Metal Mining Pogo LLC



Steve Steel
Health, Safety and Loss Control Manager
Sumitomo Metal Mining Pogo LLC

My Way of Doing Good



Three years ago, I began climbing the 100 steps from the train platform for the Yokosuka Line on basement level 4 to the ticket gate on the ground level at the JR Shimbashi Station, which is the station closest to work. Although my original intent was to promote my own health, since I do not use the escalator, I feel like I am also doing my bit (albeit small) for the conservation of energy and the alleviation of congestion. Nowadays, I routinely use stairs, even on my days off.

Yoshikazu Kitamura Purchasing Dept.



Safety Initiatives at the Harima Smelter



▲ Instruction at the *Anzen Dojo* (Special safety training program)

The Harima Smelter is home to two of SMM's businesses: our zinc smelting business with a history spanning 50 years, and our nickel sulfate business, which only commenced operations in 2014.

Zinc smelting is a drying process dealing with large volumes of high-temperature materials and melts¹. In addition to promoting greater inherent safety in equipment to prevent accidents from occurring, we also get veteran workers dispatched to the SMM *Anzen Dojo* to educate individual employees using specific yet plain language about the types of unsafe behavior they have learned through their experience, and about means for improving safety communication based on reporting, communicating and consulting at points of variation. Through these safety activities, the awareness of employees toward safety is gradually changing, and our safety performance is also improving.

The nickel sulfate business uses a wet process developed through experience at the Besshi-Niihama District Division's nickel refinery. The facility incorporates various safety measures based on past experience. Furthermore, during the almost one year of construction, by carrying out thorough safety management in collaboration with our business partners, we were able to successfully complete construction with zero accidents.

We are committed to nurturing a culture of safety at new business facilities, while fusing together our many years of experience and our state-of-the-art safety equipment.

1. Melt: High-temperature molten slag and molten metal produced from refining furnaces



Masaru Takebayashi

Deputy General Manager
Harima Smelter, Non-ferrous Metals Div.

Health Initiatives

We are aiming to establish workplaces where there is zero incidence of occupational disease and protective equipment (earplugs/masks) is unnecessary.

Health Initiatives at Sumitomo Metal Mining Siporex



▲ Fans and a dust counter (center) used to measure dust particles. Sources of dust are covered by sheets.

The name "Siporex" is derived from the phrase "Silica Pore Excellent," and refers to being composed of silica. The dust generated here is subject to work environment measurement. Previously, this was tied purely to the control classes for work environments, but not nearly enough consideration was given, and countermeasures did not necessarily lead to results. At our plant, workers are required to wear masks from Control Class 2, but in order to improve their work environment, we have carried out three key activities. First, in order to (1) *strengthen the technical consideration of measurement results*, in addition to receiving technical guidance from the Safety & Environment Control Department, I too acquired the qualifications of a working environment measurement expert, and in so doing, understood the technical implications of the control classes. Based on that consideration, we (2) *implemented measures based on on-site observations and confirmed the effects of these based on independent measurements*. Moreover, rather than waiting for the half-yearly work environment measurements, we proceeded to verify the improvements and measures, and (3) *reviewed these at the Dust Control Working Group*. As a result, since the second half of 2013, the number of Control Class 3 workplaces has gone from two to zero. Measures for the remaining two Control Class 2 workplaces are also apparent, meaning that it will not be long before we achieve Control Class 1 for all workplaces.



Yoshimichi Aono

Manager of Production Sect, Mie Plant
Sumitomo Metal Mining Siporex Co., Ltd.

My Way of Doing Good



Older people often strike up conversations with me in a variety of situations. By asking about their life experiences in a casual conversation, I have been able to acquire lots of knowledge and ideas, and I have really felt just how important that inter-generational relationships between people are. I will continue to make a point of actively listening to people when approached by them.

Mitsuki Odawara Hishikari Mine Dept.



Stakeholder Communication

Vision for 2020

▶ A company that is open to communication with stakeholder groups worldwide

Aiming to achieve the communications conditions shown on the right

Target	FY2013 Achievements
<p>Create opportunities for face-to-face dialogue with stakeholders</p>	<ul style="list-style-type: none"> ● Employees <ul style="list-style-type: none"> • Employee awareness surveys: Conducted the second employee awareness survey in February 2013. Provided briefings to management and held feedback seminars at each branch office from August. Also, communicated survey results to employees through the in-house bulletin. Tabulated and analyzed data will be used to make the company and workplaces better. • Communication of the 3-year business plan: Created an introductory video for the 2012 3-Year Business Plan and showed it at the 2013 ordinary general meeting of shareholders. Also distributed a DVD to business locations and group companies and showed it at each site.
	<ul style="list-style-type: none"> ● Local communities <ul style="list-style-type: none"> • Introduced actual examples of community contribution and communication with local communities from workplaces in Japan and overseas through the in-house bulletin
	<ul style="list-style-type: none"> ● Investors <ul style="list-style-type: none"> • Implemented a tour of the Hishikari Mine for institutional investors in March 2014. Explained environmental measures in place at operating mines and management of suspended or closed mines. • Participated in an investor relations event hosted by the Niihama Chamber of Commerce and Industry, providing an overview of SMM's business to general investors
	<ul style="list-style-type: none"> ● Citizen groups <ul style="list-style-type: none"> • Held regular meetings with related NGOs to exchange information • Hosted CSR lectures by outside lecturers to learn about progressive initiatives for cooperation with NGOs and CSR activities
	<ul style="list-style-type: none"> ● Other <ul style="list-style-type: none"> • Established a set of social media guidelines setting out basic rules for employee's personal use of social media

Expectations for the SMM Group

What is your evaluation of the SMM Group's activities during FY2013?

The mineral resources business and smelting and refining business are businesses with a potentially large impact on local communities and the environment, and that is why it is extremely important to appropriately engage in communication with local people to gain the understanding and backing of the community. On this point, it is highly admirable that individual operating locations are building relationships of trust according to the local circumstances, as demonstrated by Taganito HPAL Nickel Corporation (THPAL) and Coral Bay Nickel Corporation (CBNC). Holding regular meetings with NGOs is also important as a way to quickly come to terms with potential risks and can be admired as an indication of SMM's openness toward the outside. In regard to dialogue with individual stakeholders, I believe SMM is already achieving a high standard.

In your view, what does society require in regard to stakeholder communication?

First, I think it is important for Head Office to have an accurate grasp of communication activities implemented at each facility and to strike a balance between adapting to local circumstances and achieving company-wide consistency. SMM does not simply react passively to demands made by the local community, but takes the initiative in its community contributions, even looking beyond the closure of a mine, for example, in its development of industry and education of human resources. It naturally follows that properly communicating this will increase society's trust. Even in communication with shareholders, investors and employees, properly explaining the significance and value of these activities, over and above simply introducing them, can assist in the acquisition of stable, long-term investors and greater awareness among employees. You already adequately engage in integrated thinking, so perhaps integrated reporting is also now in order.



Takeshi Mizuguchi
Professor, Faculty of Economics,
Takasaki City University of Economics

Basic Approach

Prior to the launch of CSR activities at SMM in 2008, deliberations were held relating to the SMM Group Corporate Philosophy, Group Management Vision, CSR Policy and Vision for 2020, and the following entities with an interest in SMM's activities were identified as stakeholders: customers, shareholders, employees, local communities, creditors, business partners, citizen groups, and the government. SMM aims to maximize its corporate value and has established targets that specify the "ideal company" for each stakeholder category.

- SMM and stakeholders engage in dialogue in good faith with respect for each party's standpoint
- SMM carries out transparent information disclosure, and attempts to make explanations to the greatest possible extent in order to achieve mutual understanding
- Key themes: transparency, accountability, attentiveness, and dialogue

Challenges	FY2014 Plan
<ul style="list-style-type: none"> ● Making a better company and better workplaces using results of employee awareness surveys ● Explaining progress of the 3-year business plan to employees through the in-house bulletin 	<ul style="list-style-type: none"> ● Plan and create educational materials about CSR through cooperation with meetings of CSR communication support officers* ● Revamp and enhance the in-house bulletin, which is a vital tool for communicating with employees, after ascertaining the opinions and requests of employees through a reader questionnaire ● Distribute the company's 2014 introductory video, <i>Nickel seicho senryaku</i> (Nickel Growth Strategy), to business locations and deepen understanding about the 3-year business plan <p>* There are 15 CSR communication support officers, assigned from each business and Head Office division, who are responsible for core communication activities about CSR. They consider the ideal form of CSR activities in the SMM Group and put together and propose measures, such as education or improvements to workplace culture, as a way of promoting CSR activity. They also support activities for promoting CSR activity undertaken in each workplace.</p>
<ul style="list-style-type: none"> ● Deliberation on new activities for communicating with local communities using other workplaces' examples as reference 	<ul style="list-style-type: none"> ● Include information on activity examples at sites in different regions in the in-house bulletin to help educate employees
<ul style="list-style-type: none"> ● Deliberation on initiatives with a wider range of targets, such as tours for CSR-related personnel from institutional investors 	<ul style="list-style-type: none"> ● Continue plant tours for institutional investors to promote greater understanding about the SMM Group's initiatives in the area of business operations and CSR activities
<ul style="list-style-type: none"> ● Efforts to build relationships based on mutual trust with NGOs ● Continuation of study sessions to raise the standard of CSR activities 	<ul style="list-style-type: none"> ● Continue regular communication with related NGOs to build relationships based on mutual trust ● Hold study sessions on an ongoing basis to promote greater understanding about CSR activities and cooperation with NGOs
<ul style="list-style-type: none"> ● Communication of the social media guidelines 	<ul style="list-style-type: none"> ● Analyze in-house evaluations of the results of outside surveys to learn about society's demands and issues concerning SMM's CSR initiatives

Subcommittee Chairman's Comment

Progress in FY2013

In FY2013, we primarily worked to strengthen communication with three stakeholder categories—employees, shareholders and investors, and citizen groups. We endeavored to build relationships with each stakeholder category, for example through employee awareness surveys, plant tours and strategy briefings for shareholders and investors, and the hosting of in-house lectures with the cooperation of NGOs. These kinds of initiatives have even been recognized by outside parties, as illustrated by our winning a Best IR Award (hosted by the Japan Investor Relations Association).

Response to Stakeholder Comments

We have a system in place whereby case examples of initiatives for communicating with the community are regularly compiled through written surveys and shared with all facilities, for example via the in-house bulletin. While difficulties do arise due to the varying cultures, traditions and other background aspects from region to region, I hope we can deploy best practices across the organization, where applicable, and strengthen dialogue.

To earn greater trust from society, it is also extremely important that we undertake appropriate disclosure of non-financial information. There is extensive demand among shareholders and investors in Europe and other overseas locations for integrated reporting, which involves reporting on current business activities and future business strategy, as well as on the relevance of activities in terms of both financial and non-financial terms. SMM is also currently looking into realizing integrated reporting.



Takashi Ito
Chairman, Communication Subcommittee;
Managing Executive Officer;
General Manager, PR and IR Dept.

Basic Approach

The SMM Group aims to create work environments that allow employees to remain proud of where they work and what they do. We are putting systems in place for tapping the opinions of employees and applying them to management.

Employee Awareness Survey

To promote communication with employees, who are important stakeholders, and create a better company and workplaces, SMM carries out employee awareness surveys through a specialized outside organization.

Following on from the first survey in 2010, a second survey was conducted in March 2013. The aims of the survey were to quantitatively determine how employee awareness had changed over the three years since the last survey and what kind of awareness employees possessed as they went about their jobs, and then to apply that knowledge to the development of measures for creating a better company and workplaces. As with the previous survey, all of the roughly 3,000 employees of business locations directly controlled by SMM were surveyed. There were a total of 118 questions, comprising the same 113 questions asked in the previous survey, and five additional questions relating to women's careers. The response rate was 97.0%, higher than the previous survey, which suggests a high level of interest in the survey among employees.

Survey results were reported to top management, general managers of Head Office divisions, general managers of business divisions, and workers' unions over eight feedback briefing sessions from August. Additionally, feedback seminars were held at seven directly-controlled business locations in September and October. Targeting management at each facility, these seminars were used to disclose data for each location, ascertain outstanding issues for the location, and think about measures for creating better workplaces. For employees, survey results and an explanatory article appeared in the in-house bulletin, *Ibuki*, in November 2013.

The next step is to implement measures at each location based on survey results and while engaging in communication with employees. The results of the latest survey will also be used as a reference in considering measures for promoting CSR in-house.



▲ Feedback seminar

Labor-management Relations

Workers' unions formed at SMM branch offices and facilities of SMM Group companies in Japan carry out activity under the umbrella of the Federation of Sumitomo Metal Mining Workers Union (Sumikoren). In principle, all regular employees join workers' unions in accordance with union shop agreements. Overseas, three consolidated subsidiaries have workers' unions. As of March 31, 2014, around 17% of employees belonged to workers' unions at overseas consolidated subsidiaries. In order to build up healthy labor-management relations based on mutual trust, in which company and union mutually respect the other party's position, labor-management council meetings, or labor-management discussions, are held at least once a month with unions at each branch office or group company. The Central Labor-Management Conference, a meeting between SMM management and executives of Sumikoren unions, is held once a year around March.

We also implement questionnaires to ascertain conditions relating to the establishment of workers' unions overseas and actually visit overseas business facilities in order to observe the labor-management situation in those locations and to exchange information.

Various committees comprising members from labor and management are set up to tackle matters deemed important to both sides so that the views of both labor and management can be reflected in revisions to, or the additional formulation of, a wide range of measures. In the case of business reforms expected to have a significant impact on employees, considerations include providing sufficient advance notice. As a result of these efforts, no plant closures of a week or more due to strikes or other action were reported during FY2013 within the entire SMM Group—both in Japan and overseas—and there were no serious infringements upon freedom of association.

Matters discussed with Sumikoren (during FY2013) include:

- Business conditions overview
- Monthly performance figures
- Plans relating to business restructuring



▲ Central Labor-Management Conference



Relations with Shareholders and Investors

Basic Approach

SMM strives to carry out fair and understandable disclosure of information required by shareholders and parties thinking about purchasing in SMM shares. Information necessary for investors is made available on the SMM website, including business activities, earnings, financial data, and outlines and progress updates of 3-year business plans and other growth strategies. The *Report for Shareholders* is also sent out to shareholders twice a year to report on financial results for the full year or half year and the progress of business strategies.

We have also formulated an IR policy to serve as a set of guidelines for adequate engagement in IR activity. This policy sets standards for information disclosure and disclosure methods, and is available for public viewing on the company website.

Corporate governance refers to the frameworks in place which give order to corporate activity for the purpose of maximizing the value of the corporation and ensuring sound business. SMM views corporate governance as one of the most important management themes. We work to build and maintain an optimal system of business administration, pursuing transparency and efficiency of management in order to continue being a company that earns the trust of shareholders and all other stakeholders, and meets their expectations.

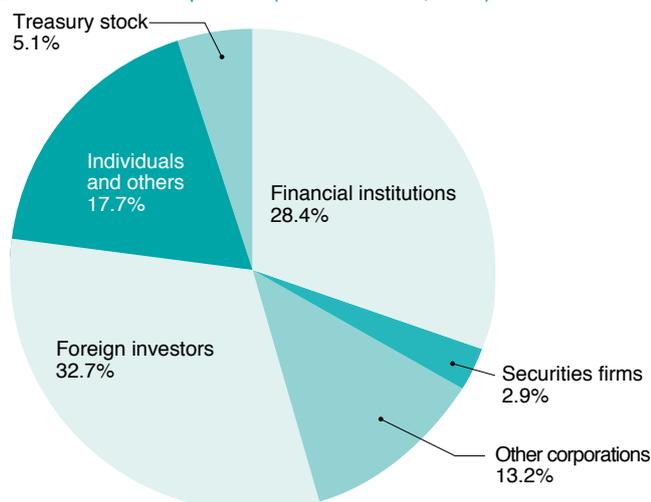
Investor Relations

SMM holds twice yearly Business Strategy Progress Briefing Sessions in which the president provides explanations to institutional investors and securities analysts in person following the announcement of full-year and second quarter results.

The PR and IR Department also holds earnings briefings via teleconference four times a year on days that quarterly results are announced. Documents for these briefings are made available on the day via the SMM website and can be viewed by all visitors to the site.

In addition, a total of around 340 individual meetings with institutional investors and securities analysts were held in Japan and overseas in FY2013 to provide a direct communication channel. We also pay visits to institutional investors to explain governance of SMM to, and to gain feedback from, personnel responsible for governance and exercising of voting rights.

■ Shareholder Composition (as of March 31, 2014)



Communication with Individual Investors

SMM has established a section for individual investors in the company website and endeavors to disclose IR information in an accessible manner. The website provides data that provides a better understanding of our business, and also includes information such as materials aimed at institutional investors and Annual Reports.

We also respond to a variety of telephone and email inquiries from individual shareholders, which is a valuable opportunity for direct communication.

Feedback from Shareholders and Investors to Management

Opinion and requests received through communication with institutional and individual investors in Japan and overseas are regularly reported to management and applied to administration of the company.

General Meeting of Shareholders

The General Meeting of Shareholders is an opportunity to engage in communication with shareholders. Efforts are being made to invigorate the meeting, for example by providing early notice of meetings and through the use of electronic voting.

SMM aims for a general meeting that shareholders can follow easily, using methods such as incorporation of video into presentations on business performance. Notices of meetings and reports are available on the SMM website.

Issues and Targets

In 2013, SMM received a Best IR Award from the Japan Investor Relations Association. One IR Grand Prix winner and five Best IR Award recipients were selected from the 276 entrants. SMM won the same award in 2011. Reasons for SMM's selection are as follows.

"Sumitomo Metal Mining received high marks for its efforts to conduct a management strategy solidly founded on a long term vision and to raise its corporate value. The Company demonstrates a clearly defined direction for its future, and provides easy to understand explanations of its various projects and the process of achieving its future goals. The quality of data collected from within and outside of the Company and level of analysis provided within presentation materials is very high. Combined with this data, opportunities to visit plants have contributed to an increased understanding of Sumitomo Metal Mining by both analysts and institutional investors. The Company's IR activities have also been praised for their awareness of 'ESG' issues and for their detailed explanation of resolutions submitted to general shareholders' meetings."

SMM also received the Award for Excellence in Corporate Disclosure in the steel/non-ferrous metal category from the Security Analysts Association of Japan (SAAJ). This makes it three years in succession, from 2011, that we have been selected for the award.

By continually enhancing our investor relations activities, we aim to promote even greater understanding of SMM's strategy and business operations among as many people as possible.

Basic Approach

The SMM Group's core businesses are mineral resources, smelting and refining, and materials. In addition to ore refining and the manufacture and sale of metal ingots for use as a raw material, we manufacture and sell products such as semiconductor materials and advanced materials, drawing out the potential of each metal through our own processes. The customers of our raw materials and processed materials businesses may differ, but we strive to fulfill the needs of each and every one, by introducing world-class, cutting-edge technologies to ensure high levels of performance and quality. The whole SMM Group pursues superior product creation, incorporating quality, safety and environmental considerations, through compliance with product safety and other product-related laws and regulations. This is something that only we can do as a company carrying out manufacturing from the raw materials stage.

Company-wide Quality Policy

Provide quality to satisfy our customers through continual improvements of quality assurance and control systems.

- 1 Pursue quality levels that stand out from the trends of the time
- 2 Abide by laws and rules and strive to create products incorporating safety and environmental considerations

Quality Management Frameworks

At SMM, based on the company-wide quality policy, personnel with responsibility over each business site set policies and plans tailored to their particular circumstances and issues and put in place management systems centered on the ISO 9001 standard¹. Furthermore, we pursue effective activities through proper system operation, and those activities are audited under an internal quality audit system.

The Quality Management Committee works to promote and support the implementation of quality activities of each business division throughout the company. The committee is responsible for reviewing company-wide activities and deliberating on changes to the company-wide quality policy. The Safety & Environment Control Department (from July 2014, the newly established Quality Assurance Department) is in charge of communicating and administering matters relating to the company-wide quality policy. It also provides support, in the form of guidance, assistance, information and education, to the personnel in charge of quality control in each business.

¹ Around 80% of business sites in Japan have acquired ISO 9001 certification. All locations which have not been certified operate their own quality management systems.

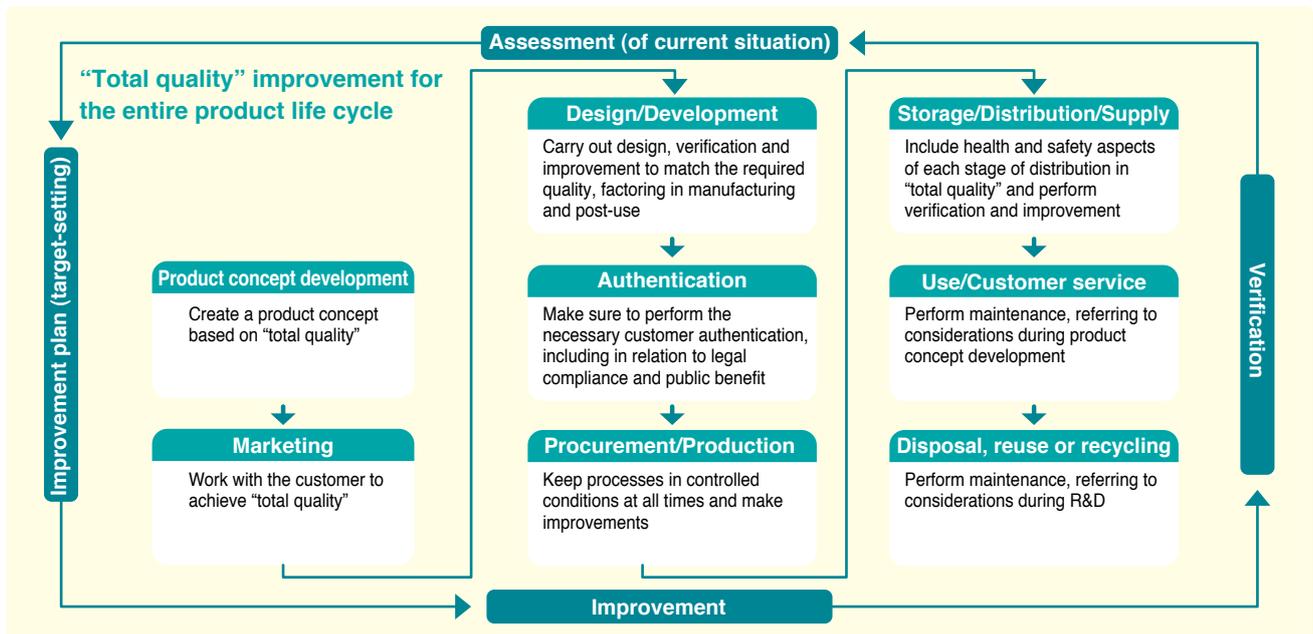
Employee Growth through "Quality Training"

To maintain consistent customer satisfaction in quality, it is necessary to nurture employees who can respond to ever changing demands and circumstances. To that end, we have begun systematic quality training for administrators and manufacturing sites. Moreover, we are conducting skill improvement programs for internal quality auditors to ensure the integrity of all processes and implementation of continual improvements.

Raising the Standard of "Total Quality"

At SMM, we accurately determine the effects of products and services on health and safety so that we can seek improvements through organized implementation and linking of management systems covering the environment (considerations toward and improvements to local and global environments), occupational safety (safety of business processes) and quality (satisfaction from product use). For that purpose, we work to raise the level of "total quality" through current assessments, the setting of improvement targets, the execution of improvements and verification for each process. Almost all our products are subjected to this kind of "Assessment to Improvement" cycle.

■ Cycle for Instilling Our Products with "Total Quality"





Disclosure of Information on Products and Services

Most items in the SMM Group product lineup are supplied as raw or processed materials for use by customers in the manufacture of their products. Information customers require in order to handle our products properly from safety and environmental perspectives, as well as information enabling them to supply the final product, is generally communicated in product specifications at the time of contract, during technical discussions, and via inspection certificates² and SDS, based on a database of information ranging from the past to the most recently acquired knowledge, and necessary surveys.

SMM products supplied as final products to customers are carefully designed, incorporating considerations toward safety and environmental compatibility, and are only delivered after thorough trials and inspections carried out during their manufacture.

We make sure that information utilized for the above is always appropriate through operation of a management system, reviewing the information based upon the latest technology, recent laws and regulations, and requests from customers.

2. Inspection certificate: Product composition and performance documentation issued for each batch

Important Information on Products and Services

- ▶ Does the product or service contain or involve materials that are potentially harmful, particularly to the environment or society?
- ▶ What information is available regarding how to use the product or service safely?
- ▶ Will recycling or disposal of the product harm the environment or society?

We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel and zinc through associations related to individual products.

Methods for Providing Information

Provision of Information Relating to Specifications

Information regarding product specifications requested by the customer on their order placement sheet is provided by showing specifications of the product delivered by SMM on the order received sheet.

Provision of Information Relating to Chemicals

Customers have a major interest in companies' response to regulations on health and safety relating to product handling and chemical substance regulations. The SMM Group provides information on chemical substances contained in products using SDS and other methods.

Other Methods

The SMM Group also engages in transactions such as sales of different types of lubricants, where the customers are general consumers. In line with related laws and regulations, we provide information on products and services in this area through labeling, advertisements and explanations to ensure correct understanding among consumers.

There were no violations of laws or regulations relating to products and services during FY2013.

Information on SMM Products Requiring Disclosure by Labeling and Applicable Products/Services

Information requiring disclosure	Applicable products/services
The sourcing of components of the product or service	All products/services containing substances requiring management under legislation while no such information requirement is addressed to our main products (raw materials and internally-processed materials).
Content, particularly with regard to substances that might produce an environmental or social impact	All products/services containing substances requiring management under legislation
Safe use of the product or service	All products/services containing substances requiring management under legislation
Disposal of the product and environmental/social impacts	All products/services containing substances requiring management under legislation

Communication with Customers

As mentioned earlier, most SMM Group products are raw or processed materials and they have a major influence on the performance and quality of the products manufactured by customers. It is therefore vital that we engage in apt and adequate communication with customers all the way from the order through to manufacturing, delivery and follow-up confirmation that our products performed according to specifications after passing into the hands of customers. We also implement other initiatives required for some products, including routine questionnaires, and use information such as complaint trends and customer feedback to evaluate the satisfaction of individual customers on a five-tiered scale. The findings are incorporated into action and measures at the management level through the management systems in place.

Issues and Targets: Creating Quality through Employee Involvement

After re-acknowledging that quality is all about striving to fulfill the requirements of the customer, with everyone involved making an effort to find out what those requirements really are, information sharing activities were commenced in FY2011. These activities require dynamic efforts based on timely and accurate communication. Ongoing improvements are being made to management systems to be utilized for the activities. In terms of product safety and information disclosure, we will bolster frameworks for disclosing all the information customers require, including information on substances in our products, and further ensure frameworks allowing a swift and appropriate response to customer needs. As for raising the level of customer satisfaction, first we will improve methods of measuring and evaluating customer satisfaction and then work to increase customer satisfaction through effective measures after accurately identifying the issues at hand.

Basic Approach

Plant operations are sustained by a large number of suppliers¹, including suppliers of various ores and intermediate materials; suppliers of ancillary materials, fuel and other materials used for operations; manufacturers of machinery, equipment and plant facilities; and contractors. In the SMM Group, we believe it's important to build relationships with these suppliers based on fairness and mutual trust, enabling mutual prosperity over the long term.

The SMM Group Code of Conduct calls for group companies to fulfill their collective responsibility toward business partners by striving to be “a company demonstrating considerable technological capability and integrity while placing value on trust and with which mutual prosperity can be gained” and stipulates engagement in “free and fair transactions carried out under conditions of propriety” as the Group’s stance on purchasing activities.

1. At SMM, raw materials procurement is performed by individual business divisions while procurement of equipment and materials for operations (including ancillary materials) is performed by the Purchasing Department.

Supplier Selection

Suppliers are selected in line with our regulations on materials. The following criteria are taken into account.

1. Credit rating
2. Level of technology
3. Condition and capacity of equipment
4. Delivery date certainty and flexibility in abnormal circumstances
5. Willingness to cooperate with SMM

When engaging in business for the first time, a materials transaction notice is sent to the supplier, who submits a letter of intent after confirming SMM’s policy and approach.

The Purchasing Department is in contact with around 4,000 suppliers. Basic transaction agreements are entered into with suppliers with whom transactions of a certain size are expected on an ongoing basis (381 companies as of March 2014).

Suppliers who enter a basic transaction agreement are asked to respond to a supplier survey once every three years.

Although agreements and supplier surveys do not touch upon human rights, SMM does recognize observance of human rights by suppliers as an important criterion. The Purchasing Department conducted a human rights questionnaire in line with the SMM Group Policy on Human Rights established in August 2010, targeting 15 suppliers of parts and ancillary materials contained in SMM products that could potentially impact the supply chain (SMM, customers and consumers). On-site hearings based on responses to the questionnaire were then conducted. The surveys of the 15 suppliers were completed by March 31, 2013. We confirmed there were no problems with any of the suppliers’ efforts to observe human rights.

In order to extend these kinds of activities to other divisions, we began deliberation in the CSR Committee’s Human Rights & Human Resources Development Subcommittee on human rights due diligence within the supply chain from the second half of FY2013.

Communication with Suppliers

Smooth and regular communication with suppliers is vital for gaining an accurate grasp of suppliers’ opinions and requests, and trends within particular industries, as well as for exchanging information relating to process improvements and new technologies. Divisions in charge of procurement engage in this kind of dialogue daily based on friendly relationships the SMM Group has built up over the years with suppliers.

Consideration for Local Communities

Procurement is one aspect of the SMM Group’s business operations which benefits local economies. We undertake procurement in local communities according to the company’s purchasing classifications.

The Niihama District, as our main business center, has always supported our business and we have developed in tandem with the community. We contribute to local development through procurement wherever the Group operates.

The proportion of payments made to local suppliers in FY2013 was 52% (¥13.5 billion) for the Niihama District.

Establishing a System for Supply Chain Management

The Materials Division views maintenance and operation of a system for supply chain management as its corporate responsibility and an important part of business administration.

Society’s needs change with the times, and suppliers’ technical expertise and facilities may not always fit the division’s requirements. And, needless to say, industry trends and the opinions of suppliers must be taken into account when we engage in transactions.

The Materials Division maintains ties with suppliers through ongoing, two-way communication.

Initiatives Relating to Conflict Minerals

The Democratic Republic of the Congo and surrounding countries produce large amounts of minerals such as gold, tin and tantalum. Excavation of these mineral resources can lead to severe human rights abuses such as forced labor and child labor, and rebel forces and other armed groups use these resources as a major source of funds, thereby expanding and prolonging conflicts.

Besides requesting nations to ban arms exports to countries involved in conflicts, the international community is trying to stem conflict with ever stricter demands, such as asking the mineral resources industry to boycott minerals sold by armed groups.

Laws and other regulations are also being put in place. In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law in July 2010. The act obligates corporations listed on American stock



exchanges to report to the Securities and Exchange Commission (SEC) on their use of "conflict minerals" (gold, tin, tantalum and tungsten) produced in the Democratic Republic of Congo or any of nine surrounding countries.

Given the above circumstances, the SMM Group agrees with and declares support for the principles of the Extractive Industries Transparency Initiative (EITI)². Based on the SMM Group Policy on Human Rights, it is working to improve transparency among raw materials suppliers to avoid contributing to human rights violations related to conflict minerals. To give assurance that the SMM Group's gold smelting and refining business does not make use of conflict minerals that may lead to human rights violations or aggravation of conflicts, we began implementing the LBMA Responsible Gold Guidance³ issued by the London Bullion Market Association (LBMA) in FY2012. The LBMA certified us as being in conformance with the Guidance in September 2013 following a third-party audit.



▲ Certificate from the LBMA

- 2. The Extractive Industries Transparency Initiative:
A global cooperative framework that aims to prevent corruption and conflict—thereby promoting responsible resource development that leads to growth and the reduction of poverty—through greater transparency in payments made to governments by extractive industries such as oil, gas and mineral resources.
- 3 LBMA Responsible Gold Guidance:
Guidance issued by the London Bullion Market Association which sets strict standards to prevent widespread organizational violation of human rights, ensure transactions are not used to fund conflicts or terrorism, and prevent money laundering.

Issues and Targets

As mentioned above, the Human Rights & Human Resources Development Subcommittee within the CSR Committee started deliberating on implementation of company-wide activities in line with the SMM Group Policy on Human Rights in October 2013, and a working group was set up comprising business divisions, which are responsible for procuring raw materials, and the Purchasing Department. Advice is also sought from a third-party organization as a way to incorporate an objective outlook.

Through these efforts, we aim to build up a framework for human rights management within the supply chain, enabling all divisions with procurement functions to engage in activities urging suppliers to show respect for human rights and prevent human rights violations.



Examples of Communication with Other Stakeholders

Examples of Communication with NGOs

The SMM Group seeks regular communication with organizations such as NGOs in order to develop mutual understanding and better relations with stakeholders.

We exchange views with international environmental NGO Friends of the Earth Japan (FoE Japan) on a regular, ongoing basis about the quality of water in rivers surrounding the plants of Coral Bay Nickel Corporation (CBNC) on Palawan Island and Taganito HPAL Nickel Corporation (THPAL) on Mindanao Island in the Philippines.

By minimizing the impact of refinery construction and operation on the surrounding environment, with the understanding and support of local residents, CBNC and THPAL are working to coexist with the natural environment. CBNC has also commenced rehabilitation efforts that will turn its Tailings Storage Facility No.1, a tailings dam no longer in use, back into a natural state covered in vegetation.

SMM explains these local activities to FoE Japan in detail and will continue to advance necessary improvements while listening to opinions and arguments put forward by FoE Japan.



Stakeholder Communication

Communication with Local Communities

The SMM Group seeks adequate communication with people in the local community when making inroads into a new region. We also build up relationships of trust with the local community through regular communication even after operations commence.

The Suigun Boat Races



▲ The Besshi-Niihama District Div. and Shisaka Smelting joint team for the Suigun Boat Races

The Suigun Boat Races are a community event held every July in Miyakubo, in the city of Imabari, Ehime Prefecture. Shisaka Smelting takes part in the races, forming a joint team with the Besshi-Niihama District Division.

The event provides an opportunity at the venue to strengthen social ties with fishermen who man “patrol boats”¹ during coastal construction work around the Shisaka Islands, as well as other familiar faces who fish in the vicinity of the islands.

Shisaka Smelting is located in the Shisaka Islands² in the Seto Inland Sea and employees commute there from Niihama. This event is a chance for employees to engage in communication with people from the community with whom they usually have little interaction. Because Shisaka Smelting is surrounded by sea, it is essential in a business continuity context that we maintain relationships of trust with local fishermen.

Even the fishermen, who normally have stern faces when catching fish, contributed to a highly congenial atmosphere at the venue. They welcomed us with broad smiles and thanked us for taking part, then at the end offered us warm words and told us to come back next year.

At reception and after the opening ceremony while waiting for our turn to race, we had the opportunity to communicate with the fishermen who were running the

event and who we are reacquainted with each year. I feel that mutual trust is developing between us as a result.

- 1. Patrol boat: A boat dispatched to ensure the safe operation of vessels engaged in construction work.
- 2. Shisaka Islands: The name for an isolated group of islands approx. 20km off the coast of Niihama (and roughly the same distance from Imabari). The islands consist of Ieno-shima, home to the plant, and Mino-shima, where the former residential area was located, as well as Nezumi-shima, Kaji-jima and Myojin-jima.



Tsuyoshi Okada

Administration Group, Administration Dept.
Shisaka Smelting Co., Ltd.

My Way of Doing Good



While running in the hills, I find it incredibly uplifting when I meet people along the way and we naturally greet one another, and move aside to let the other pass. Greetings are very important as they not only help us open up, but they help others open up, too. Greetings are said to be one of the basics for leading a vibrant, full life. I would like to build a safe, abundant society where we acknowledge one another's existence with greetings of genuine feeling that come to us naturally.

Hiroaki Tsunoda SH Materials Co., Ltd.



Communication with Employees

The SMM Group gains insight into the opinions of employees in a variety of ways, such as through workers' unions and awareness surveys, and applies it to management to ensure that employees remain proud of where they work and what they do.

Lunch with the President



▲ Lunch with the president

As part of efforts to improve communication between top management and employees, we organize luncheons with the president to coincide with his visits to business facilities and group companies around the country. During these luncheons, the president engages in face-to-face opinion exchange with key personnel at each site.

The president joins a chosen group of five to six manager-class employees in a meeting room to have two-way discussions on a theme relevant to the site over a box lunch. It is actually a good opportunity for each of the participants, who usually have no contact with the president, to voice what is on their minds, perhaps a little nervously. It has therefore become an occasion for meaningful opinion exchange. The feedback from participants has been positive, with one employee saying, "We managed to acquire some insight into the president's ideas, and he even lent an ear to the difficulties we were having. It was also a good opportunity to have another think about what is required of us in our positions."

By having the president listen to the concerns and comments of employees at each site first-hand and having him directly convey his own thoughts to employees, we want to help energize the company through the development of sound relationships of trust between employees and the group's top executive.



Hideaki Kusanagi
Manager, Secretarial Dept.

Communication with Customers

We work to raise the level of customer satisfaction by maintaining close communication with customers.

Listening and Communication with Customers; Key success Factors in SHAP Marketing

SHAP Marketing handles all overseas lead frame sales that fall outside of Japan and we manage many strategic key customers' accounts.

The art of being a good listener and communicator to our customers plays a very important role towards our business success.

It is through listening to their feedback, and at times complaints, that we realize our weaknesses in comparison to our competitors. By listening to how our competitors do things better than us, we will then be able to improve ourselves better to match and even surpass our competitors.

Being a good communicator will enable us to communicate our strength to our customers, to showcase our technology so that customers can be convinced that we have a winning formula and be comfortable to engage and work with us.

As the cycle of the technology evolution is becoming faster and faster, being a good listener and communicator with the customers will ensure that we are aligned with the customers in their focus growth area and therefore be able to stay ahead in this tough lead frame market.



Philip Leong
Marketing Manager,
SH Asia Pacific Pte. Ltd.

My Way of Doing Good



I am an active member of a local fire defense brigade in Mitaka, Tokyo. The reason I joined was because people in the community we came to know through child-raising had been kind to my family, even though we didn't have any community ties when we transferred here. As gratitude for the kindness, I was looking for a way to get involved in the community. The brigade happened to be aging and dwindling in size. Taking part in monthly fire hose drills and snow shoveling after the big snowfall this year, I am interacting more with the community.

Kouhei Ikemachi Internal Audit Dept.

Strengthening Economic Ties with Stakeholders

Overview of FY2013 Financial Results

The global economy maintained positive growth during FY2013 due to the steady performance of the U.S. economy, the bottoming out of the European economy, and the stabilization of economic growth in emerging countries, especially in China. The Japanese economy showed steady improvement, buoyed by robust consumer spending and by a recovery in the export environment resulting from a weaker yen.

In the non-ferrous metals industry, nickel and copper prices continued on a downward trend, before bottoming out briefly in part due to an easing of wariness over the future of the economy. Subsequently, nickel prices rose toward the end of the fiscal year out of supply concerns based on Indonesia's restrictions on the export of ore. Copper prices, however, remained bearish. As for gold prices, some bullish signs have been seen since the end of 2013, although anticipation for further downside movement continued due to an outflow of investment funds as a consequence of recovery of the U.S. economy.

In industries related to the materials business, the demand for automobile battery components increased, and a strong sales environment was maintained for components for high performance mobile devices and for home appliances.

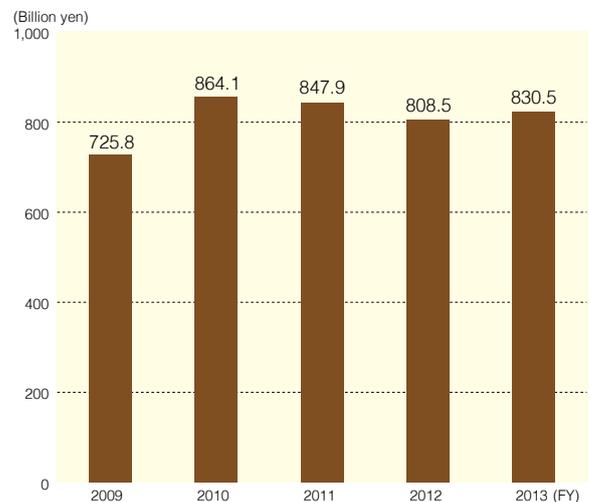
Under these circumstances, despite a decline in copper sales, consolidated net sales in FY2013 grew by ¥22.006 billion from FY2012 to ¥830.546 billion, mainly due to an increase in revenue caused by a weaker yen and an increase in the volume of electrolytic nickel sales.

Consolidated operating income was ¥75.418 billion, a decrease of ¥20.367 billion from FY2012. This was due to such factors as declines in gold and nickel prices, and despite the positive effect of a weaker yen.

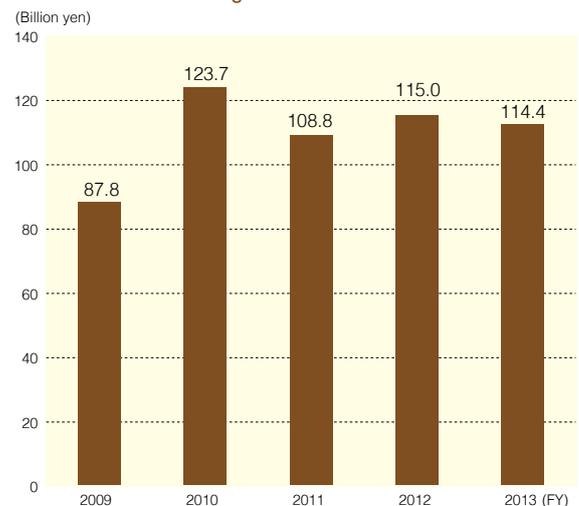
Consolidated recurring profit decreased ¥0.682 billion from FY2012 to ¥114.352 billion, owing to such factors as increased equity in earnings of affiliated companies, despite a decrease in consolidated operating income. Consolidated net income decreased ¥6.382 billion from FY2012 to ¥80.258 billion, owing to such factors as an increase in the provision for environmental measures.

Consolidated total capital was ¥1,572.4 billion, composed of ¥553.3 billion in liabilities and ¥1,019.1 billion in net assets.

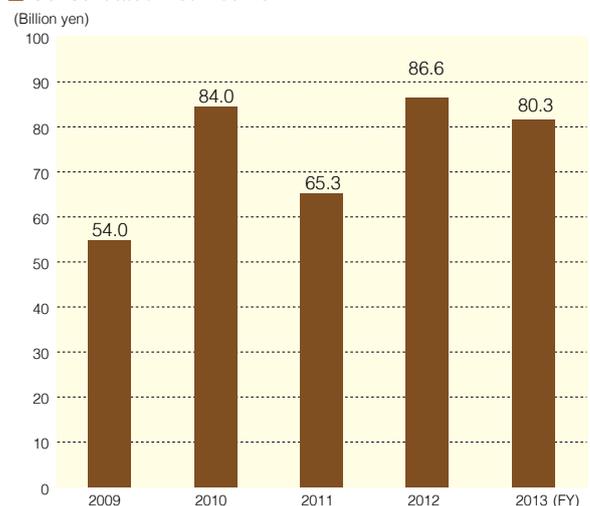
■ Consolidated Net Sales



■ Consolidated Recurring Profit



■ Consolidated Net Income



Aiming to be a World Leader in the Non-ferrous Metals Industry and an Excellent Company of Japan

SMM began as a company in the copper smelting business, and beyond just securing interests in superior resources, we believe that we can contribute to society by providing high quality base metal and materials, which raises our corporate value. This is the real meaning of being a “World Leader in the Non-ferrous Metals Industry,” which is the objective of our continuing growth. In order to become an “Excellent Company of Japan,” we are aiming at the outworking of our growth strategy under a stable management foundation with earning power at a scale of ¥1,000.0 billion/year in net sales, and ¥100.0 billion/year in net income, and thorough corporate governance and enhanced CSR activities based on a solid corporate philosophy and management vision.

Distribution of Value to Stakeholders

Economic value was distributed to stakeholders during FY2013 as follows:

Payments made to suppliers to purchase merchandise necessary for business, for example, were ¥717.3 billion.

Employee salaries and welfare expenses were ¥35.2 billion.

■ Distribution of Economic Value to Stakeholders

Distributed Economic Value

Stakeholder	Amount	Details
Suppliers	¥717.3 billion	Payments for purchase of merchandise, etc.
Employees	¥35.2 billion	Payments to employees
Shareholders/Creditors	¥31.1 billion	Payments of dividends/interest
Government	¥25.5 billion	Taxes paid
Society	¥0.6 billion	Donations, etc.

* A retained value of ¥59.0 billion is not included in the above. Rent for use of land is minimal and therefore included in “Payments for purchase of merchandise, etc.”

Financial Assistance from the Government

Stakeholder	Amount	Details
Government	¥0.1 billion	Subsidies, grants, etc.

* No governments have an equity stake in SMM

To shareholders and creditors, SMM paid a total of ¥31.1 billion in dividends and interest on debt.

To the government, we paid ¥25.5 billion in taxes.

To society, we contributed ¥0.6 billion, including donations for social contribution activities.

Financial assistance from the government totaled ¥0.1 billion and included cash subsidies and grants.

Projected Benefit Obligation

SMM has the following defined-benefit systems in place, principally in Japan: a lump-sum retirement payment plan; a defined-benefit corporate pension plan (in some cases, a qualified retirement pension plan); and an employees' pension fund. The projected benefit obligation is ¥57.9 billion. The portion of the projected benefit obligation to be funded by pension assets is ¥56.9 billion. Pension assets available for allocation to that portion are ¥53.0 billion.

* Amounts are rounded to one decimal place.

Detailed financial information can be viewed in the “IR Information” section of the SMM website.

<http://www.smm.co.jp/E/ir/>

Corporate Governance

Basic Approach

Corporate governance refers to the framework set up to govern corporate activity for the purpose of maximizing the value of the corporation and ensuring the strength of the business. SMM views corporate governance as one of the most important management themes.

SMM has adopted corporate auditor and executive officer systems, thereby clarifying authority and responsibilities within executive functions and enabling the Board of Directors to concentrate on supervision and swift decision-making.

The company has also set out the SMM Group Corporate Philosophy based upon the Sumitomo Business Spirit. Furthermore, the SMM Group Code of Conduct was formulated as a set of behavioral guidelines for officers and company employees to follow when putting this philosophy into practice.

Through persistent efforts to practice the Corporate Philosophy, and sound and efficient corporate activity, we will contribute to society and fulfill our responsibilities toward all our shareholders and other stakeholders.

Corporate Governance Framework

Our company's corporate governance framework is shown in Fig. 1.

1. SMM's organizational structure is divided into three areas: "Decision-making and Supervision," performed by the Board of Directors; "Business Execution," with the president taking overall responsibility; and "Auditing."
2. "Execution of Business" and fulfillment of "Social Responsibility" (CSR activity/internal controls) are viewed together as "Business Execution."
3. The Management Committee discusses important matters relating to the management of the company. It aims to promote rational business judgment and decision-making by deliberating issues in advance of meetings of the Board of Directors, as well as efficient management and appropriate internal controls.
4. The CSR Committee, chaired by the president, comprises the heads of business divisions and corporate staff divisions. The committee was formed with two working groups and six subcommittees, when existing activities were restructured under the new program of CSR activities on October 1, 2008.
5. The Internal Controls Committee, chaired by the president, advances internal controls in line with the Japanese Financial Instruments and Exchange Act of June 2006. In compliance with the act, a report on the effectiveness of internal controls was submitted in June 2014, together with the company's securities report for the year ended March 2014, to the Director-General of the Kanto Local Finance Bureau after first obtaining an internal controls audit report recognizing its appropriateness from an auditing firm.

In establishing and upholding internal controls, we will work to clarify the roles and duties of SMM Group officers, executive officers and employees and ensure that continual improvements are made.

Roles of Divisions and Bodies

Directors/Board of Directors

As of August 2014, SMM has eight directors, including one outside director. The term of a director¹ is one year. Remuneration for all directors except outside directors is determined according to a performance-based remuneration system². Ordinary meetings of the Board of Directors are convened once a month and extraordinary meetings are held as required. This structure allows for quick and flexible decision-making. The Board of Directors discusses and passes resolutions on important matters relating to the business execution of the company, including issues relating to conflicts of interest, in line with provisions such as those stipulated in laws and ordinances, articles of incorporation and regulations pertaining to the Board of Directors. Details are disseminated through reporting to the Executive Officers' Meeting. SMM's president chairs the Board of Directors.

Management Committee

Management Committee meetings are convened by the president, executive vice president, senior managing executive officers and other related executive officers and personnel. SMM's outside directors and corporate auditors may also attend.

The Management Committee engages in broad-ranging discussion on important matters which require a resolution by the Board of Directors or the final approval of the president and which demand particularly careful deliberation. The Committee decides for or against submission of matters to the Board of Directors and provides support on matters falling under the president's direct authority.

Executive Officer

SMM adopted an executive officer system in June 2001. A provision was included in the articles of incorporation in June 2004 to clarify the status of executive officers.

Executive officers³ are entrusted with important positions such as that of heads of business divisions or heads of corporate staff divisions and are conferred inherent authority for business execution. The progress in execution of business affairs is reported to the Executive Officers' Meeting once a month. Like for directors, remuneration for executive officers is determined according to a performance-based remuneration system.

Corporate Auditors/Board of Corporate Auditors

As of August 2014, SMM had four corporate auditors, two of whom were outside auditors. Corporate auditors attend and express opinions at important meetings, including meetings of the Board of Directors and the Management Committee. Corporate auditors from SMM, while taking care to remain independent, provide audit-based opinions as full-time auditors. Outside auditors offer independent opinions based on specialized experience and knowledge.

Corporate auditors carry out audits, such as audits of the execution of duties by directors, according to auditing plans approved by the Board of Corporate Auditors.

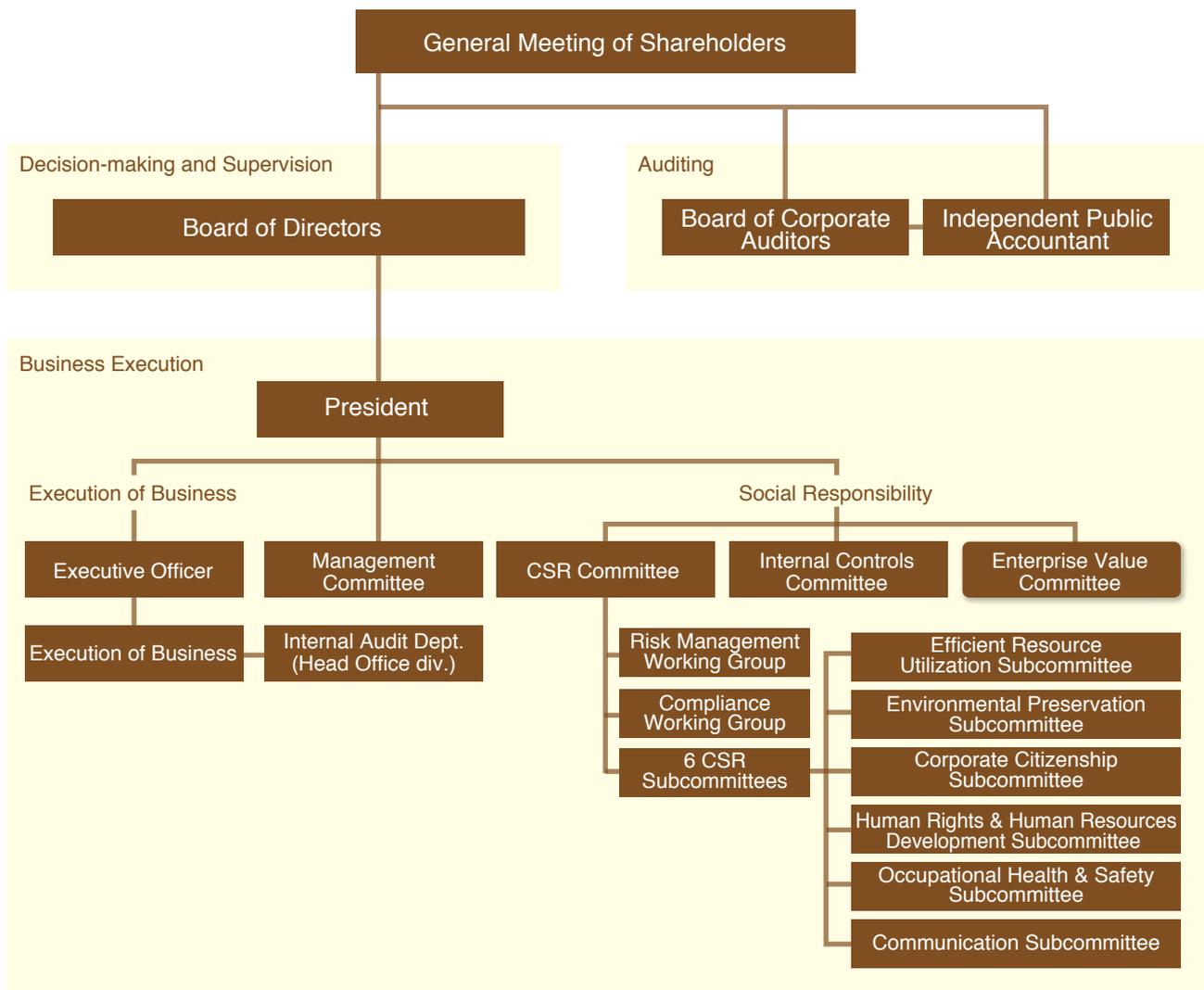
The Board of Corporate Auditors convenes once a month immediately prior to ordinary meetings of the Board of Directors and as otherwise required.

Internal Audit Department

The Internal Audit Department was established for the purpose of undertaking routine internal audits used to monitor and supervise the execution of business matters. The department carries out internal audits of the entire SMM Group. The department supplies information to the corporate auditors on a timely basis, providing, for example, explanations of auditing plans. The corporate auditors also attend the department's internal audit briefings for executive officers and other personnel.

1. Candidates for director, possessing the character and abilities required to implement the SMM Group Corporate Philosophy and fulfill the group's social responsibility, are nominated by the Board of Directors and approved by a resolution passed at the General Meeting of Shareholders
2. Directors (excluding outside directors), executive officers and senior managers are evaluated on various criteria, chiefly quantitative results, safety, business strategy and human resources development
3. Six executive officers also serve as directors (as of August 2014)

■ Fig. 1 Corporate Governance Framework



Compliance

Basic Approach

The corporate activities of the SMM Group are founded upon principles of compliance. Though compliance is usually construed as applying to laws and regulations, the SMM Group goes further, viewing compliance as the fulfillment of social and moral duties as a member of society through sound corporate activities. In 2000, the year after the JCO criticality accident¹ of September 1999, the SMM Group formulated a "Corporate Reform Plan" and embarked on a new beginning with three initial priorities:

1. Reconfirm and disseminate corporate philosophy;
2. Strengthen the condition of the corporation;
3. Reform corporate culture.

The corporate philosophy and SMM Group Code of Conduct² were consequently revised in 2004.

Compliance—the first of 17 items included in the Code of Conduct—calls for conduct complying not only with laws and rules, but also with social norms, as follows:

- Officers and employees will comply with foreign and domestic laws and rules, and conform with social norms
- No officer or employee will under any circumstances commit an infraction of the law or act counter to social norms, even if doing so would seem to be in the interests of the company

1. JCO criticality accident: On September 30, 1999, criticality occurred as uranium was being handled at an SMM subsidiary, JCO Co., Ltd. Two workers died from radiation injuries as a result. The radiation accident caused immeasurable suffering to the local community, with citizens living close to the facility forced to evacuate.
 2. The SMM Group Code of Conduct can be viewed in the "About Us" section of the SMM website: http://www.smm.co.jp/E/corp_info

Compliance Management and Strengthening

Compliance management is performed according to our basic compliance regulations. The Compliance Working Group of the CSR Committee plays a central role in compliance improvements and strengthening with represented divisions taking charge of the following main measures.

1. Draft revisions to the SMM Group Code of Conduct
2. Establish and revise compliance-related regulations
 - Basic compliance regulations
 - Regulations on insider trading prevention and information management
 - Regulations on the safeguarding of personal information
 - Export administration regulations
 - Regulations for managing the legal process database
 - Regulations on the management of confidential information, etc.

3. Implement compliance education

A range of different training programs draw upon principles within the Sumitomo Business Spirit, SMM Group Corporate Philosophy and CSR Policy to ensure awareness among employees that compliance within the SMM Group calls for ethics-based conduct and decision-making, going beyond conformance with laws and regulations.

4. Convene the Compliance Working Group

Confirmation of the compliance status in FY2013 by the Compliance Working Group indicated that there were no major violations of laws or regulations relating to the environment and products and services, including antitrust legislation.

Speak Up System

In situations where problems or doubts remain after referring to the SMM Group Code of Conduct, and consultation with a superior fails to bring forth an appropriate response, employees are able to report the matter directly through several channels. In-house liaison is with the general managers of the Legal & General Affairs Department, the Safety & Environmental Control Department, and the Internal Audit Department. Outside liaison is with the designated legal attorney. The source of the information is always kept secret and if, for any reason, the informant is unfairly treated, the person responsible will be punished appropriately.

In FY2013, there were seven cases handled by the SMM liaisons. These comprised: three cases regarding employment control, two cases regarding power harassment, one case regarding information posted on the Internet, and one case regarding relations with a supplier. Appropriate measures are in place to deal with such consultations.

Compliance Seminars

The SMM Group commenced annual "compliance conferences" in 2001, giving employees an opportunity to reaffirm their knowledge of compliance basics and learn about the latest legislative changes. After deliberation on the objectives and structure of these conferences, the Group now implements compliance seminars in order to educate senior management of SMM and group companies about the Code of Conduct and to ensure compliance with work-related laws and ordinances. These seminars include education for personnel in charge of legal processes at each workplace involving introduction of specific case examples.

In addition to seminars, guidance provided in the workplace on an ongoing basis integrates Code of Conduct dissemination, compliance with laws and rules, and CSR awareness.

■ Recipients of Compliance Education (FY2013)

	Type of seminar	Target	Participants
Compliance education	Compliance education (Basic course)	Newly-appointed division general managers and group company officers	74
	Compliance seminars (Advanced course)	General managers of business divisions, administration departments, Head Office divisions and branch offices, presidents of subsidiaries in Japan, etc.	71
	Group seminar for new employees	Newly graduated employees and clerks in the Head Office zone	32
	Seminar for newly promoted E-class employees	Employees newly promoted to E-class	40
	Seminar for newly promoted section managers	Employees newly promoted to section manager	24
	Education for mid-career employees	New mid-career employees	14
	Compliance seminar for site managers	Personnel at section manager/senior staff level in a position to provide guidance about compliance at each division/group company	314

Risk Management

Basic Approach

The Corporate Reform Plan, formulated by SMM in April 2000 based on reflections from the JCO criticality accident of 1999, acknowledged the importance of risk management improvements for strengthening the company's condition. The Code of Conduct, too, stipulates that "all officers and employees will incorporate risk management principles into the performance of their business operations or related work."

In August 2001, a Group-wide risk management system was established, structured upon features such as total compliance. The purpose was to ensure SMM will never again cause a major incident. Regulations pertaining to risk management systems were also established. Energy has been channeled into risk management initiatives ever since as they are essential for business continuity. With the launch of CSR activities in the autumn of 2008, the Risk Management Working Group set up under the CSR Committee was charged with promoting initiatives, in the same way that compliance initiatives, occupational health and safety activities and environmental management activities were to be promoted. In addition to striving to operate the system efficiently, SMM has also been working to raise the effectiveness of activities, such as reviewing activities of focus to make them suited to the characteristics of each facility.

Since 2002, SMM has established regulations pertaining to the inherent safety of equipment and has been implementing initiatives aimed at realizing safer equipment and preventing occupational accidents throughout the SMM Group. Furthermore, to prevent more serious industrial accidents, we conduct risk assessments employing HAZOP (hazard and operability studies) and other methods as part of our systematic safety evaluations and measures at plants. Always leaning toward the side of safety, SMM has been actively incorporating preventive approaches to risk management.

Climate Change Risk

Potential risks for SMM in relation to climate change include a raw materials shortage, which may occur if source mine operations are disrupted due, for example, to abnormal weather, and flooding of plants located in waterfront areas as a result of rising sea levels. In recent years, SMM has been strengthening day-to-day energy conservation efforts with the goal of reducing greenhouse gas emissions in order to combat global warming, which is believed to be a cause of abnormal weather. The company is also directing efforts into the development of energy-saving refining processes.

Frameworks and Initiatives

Risk management in the SMM Group is generally advanced through the efforts of individual business divisions. Business divisions seek to accurately identify the risks involved in managerial decision-making and within each

business process and to determine courses of action, bearing in mind their specific economic, environmental and social circumstances. SMM has put together a framework for risk management, establishing risk identification guidelines along with various systems, including a risk registry, an in-house risk management auditing system and risk management patrols.

The Risk Management Working Group, with close affiliation to the Compliance Working Group, coordinates risk management matters for the Group as a whole and directs energy into preventing the actualization of risks.

Risk management systems have been introduced for each business unit at business divisions throughout the Group, including at overseas group companies. We are also proceeding to introduce risk management systems at businesses that join the Group. At least once a year (or whenever the need arises), each division identifies and assesses any unsafe behavior and other risks, and takes action to control them, registering or reviewing them as necessary, and implementing measures to prevent them from recurring.³

Self-checks by individual business divisions and various audits⁴ are performed to assess whether risk management PDCA (Plan-Do-Check-Act) cycles are operating smoothly and according to the rules and regulations. Findings are reflected in plans for the following fiscal year.

In line with the FY2013 policy of "top management leading in even more vigilant risk management, endeavoring to prevent risks from actualizing and taking appropriate action if they do," efforts were made to strengthen the risk response of supervisors who support the top management, such as through carrying out drills with clearly defined purposes. From a perspective of business continuity, efforts were also undertaken to formulate business continuity plans (BCPs) for top-priority businesses.

3. The Finance & Accounting Department, for example, uses various methods to check accounting processes of the entire Group, which are performed according to uniform standards and procedures. Effort also goes into actually lowering risk through procedural improvements such as centralizing processes for payments to outside parties at Head Office.

4. Audits include risk management internal audits/inspections, audits by the Internal Audit Department, investigation by the senior management of group divisions and audits by the Safety & Environment Control Department

Issues and Targets

From now on, we will be planning how to lower incidence and minimize damage in the case of a risk being actualized, examining individual business continuity plans (BCPs) for the business and products, and meeting the demands of society.

At overseas locations, we are continuing to establish and implement stronger risk management systems, and we are strengthening our preparedness in relation to international crises, such as kidnappings and terrorist activities.

SMM's Responses to Stakeholder Opinions

Main Comments on CSR Report 2013 from Employee Survey and SMM's Responses (1,029 Survey Responses)

Area for Improvement	Response
<ul style="list-style-type: none"> ● CSR activities have an image of being so big in scale, I find it difficult to take in their detail. ● As an employee, while I'm sure anything goes when it comes to efforts outside the company, I reckon if the report introduced examples of activities already being done (like in this report), then it would probably lead to more people engaging in similar activities. ● As members of the Group, what specifically should business partners do? 	<ul style="list-style-type: none"> ● We have included the following content to provide explanation on how our business activities relate to social issues, and how employees are involved: <ul style="list-style-type: none"> - We have introduced in detail the activities of many workplaces (including group companies), and explained as clearly as possible how our business relates to social issues. - Following on from last year, we have included examples of everyday activities in the "My Way of Doing Good" segments.
<ul style="list-style-type: none"> ● While I understand space is limited, I think the report would be easier to understand if it was made more visual. ● The font is small and hard to read. Maybe too much detail has been packed into the report. 	<ul style="list-style-type: none"> ● We have reduced the number of topics that appear, and we have made the photos and character fonts larger.
<ul style="list-style-type: none"> ● The Q&A method used in the digest version for explaining what CSR is was easy to understand. Future reports should keep this section because every year there are new employees and others who are reading the CSR Report for the first time. 	<ul style="list-style-type: none"> ● We have maintained the question-and-answer format again this year. We have also included an introduction of the CSR communication support officers assigned to each business division. If there is anything about CSR that you are wondering about or want to know, please contact a CSR communication support officer or the CSR Committee Secretariat.
<ul style="list-style-type: none"> ● Having a history spanning 400 years is an advantage unique to SMM, and so I think it was good to emphasize this in terms of SMM's "400-year legacy." 	<ul style="list-style-type: none"> ● In order to further deepen readers' understanding about the SMM Group, this year, we put together a special feature on the "Sumitomo Business Spirit."
<ul style="list-style-type: none"> ● Having read the special feature on "Quality," I understand that high quality and production capacity are important, but it would be better to communicate how they help in the outside world. 	<ul style="list-style-type: none"> ● In this year's report, we have created a page on SMM's approach to manufacturing, focusing on one product. The article touches on how our products are used in the world.
<ul style="list-style-type: none"> ● The comments made by the subcommittee chairpersons do not seem to match what the outside experts say in their "Expectations for the SMM Group." 	<ul style="list-style-type: none"> ● The subcommittee chairpersons were interviewed based on the "Expectations for the SMM Group" provided by outside experts in 2013 and 2014, and their views have been published in this report.
<ul style="list-style-type: none"> ● There are many foreign words, written either in English or in <i>katakana</i>. There are also some technical terms that I do not understand. 	<ul style="list-style-type: none"> ● Effort was made to make the <i>katakana</i>, English and technical terms easier to understand by adding explanatory notes wherever possible.

Positive Feedback

- It felt like this year's report was a lot easier to understand than last year's. From reading the "My Way of Doing Good" segments, I was able to learn a little about everyone's efforts, and so I hope this segment continues.
- I felt that this CSR Report was very useful because I was able to find out about the views of the SMM President and other officers.
- This report was informative and it enabled me to appreciate how everyone in the SMM Group is actively involved in their respective jobs, divisions and disciplines.
- From reading the CSR Report, I was able to find out about the SMM Group's overall site operations and issues, and also about the new targets.
- This year's CSR Report was again easy to read. Being inside a plant all the time, I tend to be ill-informed about the world outside, and so I read the report with great interest.
- I realized for the first time that SMM boasts one of greatest processing capacities in Japan for recycling zinc using proprietary technology. I hope that future reports continue to provide information in a way that is easy for me to understand.
- It was good that the report incorporated plenty of local and overseas endeavors.

Independent Assurance Report



Independent Assurance Report

To the President & Representative Director of Sumitomo Metal Mining Co., Ltd.

We were engaged by Sumitomo Metal Mining Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental, social and economic performance indicators listed in the table below (the "Indicators") for the period from April 1, 2013 to March 31, 2014 (the "Indicators") included in its CSR Report 2014 (the "Report") for the fiscal year ended March 31, 2014; the Company's self-declaration on the Global Reporting Initiative ("the GRI") application level (A+); the alignment of the Company's policies to the International Council on Mining and Metals ("ICMM")'s 10 Sustainable Development ("SD") Principles and the applicable mandatory requirements set out in ICMM position statements; the Company's identification and prioritization of material issues; the Company's approach and management of its material issues; and the completeness of material sustainability information in the Report.

Items	Pages	Indicators assured
Initiatives for Effective Use of Resources	18	Ratio of recycled materials used
Initiatives in Global Warming Control	26	Unit energy and CO ₂ emissions index and CO ₂ emissions
Initiatives for Reducing Environmental Impact	27 - 30	Volume of SO _x emissions, Volume of NO _x emissions, Volume of soot and dust emissions, COD and BOD pollutant loads, Water usage (freshwater/seawater), Volume of waste (hazardous/non-hazardous), Final disposal volumes of industrial and mining waste in Japan, Total release and transfer volume of PRTR substances and Breakdown of releases
Material Flows within Business Activity	31	INPUT (Raw materials, Recycled materials, Energy, Materials and Water) and OUTPUT (Products, Emissions into the atmosphere, Emissions into water and Waste including items of value)
Biodiversity Considerations	33	Size of production site in areas of high biodiversity value and Amount of land disturbed or rehabilitated
Human Rights Initiatives	47	Number of investments which have undergone human rights screening
People and Human Rights-related Data	50 - 52	Total annual hours of education, Disabled employee ratio (SMM non-consolidated), Number of employees/officers worldwide (consolidated), Number of employees/officers by region, Consolidated employee breakdown, Number of locally-hired senior managers (general managers and above) at overseas affiliates and Employee turnover number and percentage
Occupational Health and Safety	58	Data on occupational accidents in Japan
Relations with Employees	63	Number of companies with workers' unions and Percentages of employees belonging to workers' unions
Relations with Suppliers	67	Payments made to local suppliers
Strengthening Economic Ties with Stakeholders	72	Distributed economic value, Financial assistance from the government and Projected benefit obligation to be funded by pension assets and pension assets available for allocation to that obligation
Compliance	75	Recipients of compliance education

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the Sustainability Reporting Guidelines Version 3.0 of the GRI and Environmental Reporting Guidelines of Japan's Ministry of the Environment; self-declaring a GRI Application Level in conformance with the application level criteria stipulated by the GRI; reporting on the alignment of the Company's policies to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements; reporting on the Company's identification and prioritization of material issues; reporting on the Company's approach and management of its material issues; and reporting on the completeness of material sustainability information in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's Harima Smelter selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.
- Evaluating the Company's self-declared GRI application level against the application level criteria.
- Assessing the alignment of the Company's policies to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements through documentation reviews and interviews.
- Interviewing with the Company's responsible personnel and reviewing documents with respect to the Company's process of identifying and prioritizing its material issues and its approach to and management of its material issues.
- Assessment of whether or not all the material sustainability information defined by J-SUS is included in the Report.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report;
- the Company's self-declaration on the GRI application level does not conform to the application level criteria stipulated by the GRI;
- the Company's policies are not aligned to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements as described on pages 41 and 42;
- the Company has not identified and prioritized its material issues as described on page 2;
- the Company has not approached and managed its material issues as described on pages 15, 16, 21, 22, 37, 38, 45, 46, 55, 56, 61 and 62; and
- all the material sustainability information defined by J-SUS is not included in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

October 21, 2014



As a testament to the reliability of the sustainability information in this report SMM is authorized to attach the mark shown above, which indicates that the report meets the standards for sustainability report assurance and registration established by the Japanese Association of Assurance Organizations for Sustainability Information (<http://j-sus.org/english.html>).

GRI Content Index

To show that reports are based upon the GRI Reporting Framework, SMM declares the reporting level using the GRI system of “application levels.” Application levels are classified as indicated in the diagram below.

This report is aligned with the GRI Sustainability Reporting Guidelines, Version 3.0, at an application level of A+. This declaration is covered in assurance provided by KPMG AZSA Sustainability Co., Ltd.

Report Application Level	C	C+	B	B+	A	A+	
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Report on each core G3 and Sector Supplement* indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	Report Externally Assured

* The Mining & Metals Sector Supplement of the GRI's G3 Guidelines is used for this report

Item Profile	Indication	Relevant Page(s)
1. Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Interview with the President (3-4)
1.2	Description of key impacts, risks, and opportunities.	Interview with the President (3-4) Risk Management (76)
2. Organizational Profile		
2.1	Name of the organization.	Overview of Business Operations (5-6)
2.2	Primary brands, products, and/or services.	Overview of Business Operations (5-6)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Overview of Business Operations (5-6)
2.4	Location of organization's headquarters.	Overview of Business Operations (5-6)
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Overview of Business Operations (5-6)
2.6	Nature of ownership and legal form.	Overview of Business Operations (5-6)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Overview of Business Operations (5-6)
2.8	Scale of the reporting organization, including: • Number of employees; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	Overview of Business Operations (5-6) Strengthening Economic Ties with Stakeholders (71-72)
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	N/A
2.10	Awards received in the reporting period.	Relations with Society (40)
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Period Covered (2)
3.2	Date of most recent previous report (if any).	Publication Date (2)
3.3	Reporting cycle (annual, biennial, etc.)	Publication Date (2)
3.4	Contact point for questions regarding the report or its contents.	Enquiries (2)
Report Scope and Boundary		
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Editorial Policy (2) Our Stakeholders (10)

Item Profile	Indication	Relevant Page(s)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Boundary of the Report (2)
3.7	State any specific limitations on the scope or boundary of the report.	Boundary of the Report (2)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Boundary of the Report (2)
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	Initiatives in Global Warming Control (26) Initiatives for Reducing Environmental Impact (27-28) Material Flows within Business Activity (31)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Boundary of the Report (2)
GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Content Index
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Independent Assurance Report (78)

4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance (73-74)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate Governance (73-74)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance (73-74)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Relations with Employees (63) Relations with Shareholders and Investors (64) Corporate Governance (73-74)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance (73-74)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance (73-74)
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Corporate Governance (74)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Corporate Philosophy for a Sustainable Society (7) Six Key CSR Areas and Vision for 2020 (8)
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	CSR Promotion Framework (9) Relations with Society (41-42)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	CSR Promotion Framework (9)
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Biodiversity Considerations (33-34) Initiatives in Global Warming Control (25-26) Risk Management (76)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Relations with Society (41-42)
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	Relations with Society (41)
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	Our Stakeholders (10)
4.15	Basis for identification and selection of stakeholders with whom to engage.	Our Stakeholders (10)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Our Stakeholders (10) Initiatives in the Six Key CSR Areas: Stakeholder Communication (61-62) Relations with Employees (63) Relations with Shareholders and Investors (64) Relations with Customers (65-66) Relations with Suppliers (67-68) Examples of Communication with Other Stakeholders (68)

Item Profile	Indication	Relevant Page(s)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Our Stakeholders (10) Initiatives in the Six Key CSR Areas: Contribution to Society and Local Communities (37-38) Human Rights Initiatives (47) Initiatives Relating to Employee Diversity (49) Initiatives in the Six Key CSR Areas: Stakeholder Communication (61-62) Relations with Employees (63) Relations with Shareholders and Investors (64) Relations with Customers (65-66) Relations with Suppliers (67-68) Examples of Communication with Other Stakeholders (68) SMM's Responses to Stakeholder Opinions (77)

5. Management Approach and Performance Indicators

Economic

		Disclosure on Management Approach	Relations with Society (39-42) Strengthening Economic Ties with Stakeholders (71-72)
Aspect: Economic Performance			
EC1	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Relations with Society (39) Strengthening Economic Ties with Stakeholders (71-72)
EC2	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Risk Management (76)
EC3	CORE	Coverage of the organization's defined benefit plan obligations.	Strengthening Economic Ties with Stakeholders (71-72)
EC4	CORE	Significant financial assistance received from government.	Strengthening Economic Ties with Stakeholders (71-72)
Aspect: Market Presence			
EC5	ADD	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	—
EC6	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Relations with Society (39) Relations with Suppliers (67)
EC7	CORE	Procedures for local hiring and proportion of senior management hired and workforce from the local community at locations of significant operation.	Relations with Society (39) Initiatives Relating to Employee Diversity (49) People and Human Rights-related Data (51)
Aspect: Indirect Economic Impacts			
EC8	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Initiatives in the Six Key CSR Areas: Contribution to Society and Local Communities (37-38) Relations with Society (39)
EC9	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts.	—
Environmental			
		Disclosure on Management Approach	Initiatives in the Six Key CSR Areas: Effective Use of Resources (15-16) Initiatives in the Six Key CSR Areas: Environmental Preservation (21-22) Initiatives in Environmental Preservation (23-24)
Aspect: Materials			
EN1	CORE	Materials used by weight or volume.	Initiatives for Effective Use of Resources (18) Material Flows within Business Activity (31)
EN2	CORE	Percentage of materials used that are recycled input materials.	Initiatives for Effective Use of Resources (18) Material Flows within Business Activity (31)
Aspect: Energy			
EN3	CORE	Direct energy consumption by primary energy source.	Material Flows within Business Activity (31)
EN4	CORE	Indirect energy consumption by primary source.	Material Flows within Business Activity (31)
EN5	ADD	Energy saved due to conservation and efficiency improvements.	Initiatives in the Six Key CSR Areas: Environmental Preservation (21)
EN6	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Initiatives in the Six Key CSR Areas: Environmental Preservation (21-22) Initiatives in Creating Products with Low Environmental Impact (32)
EN7	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	—
Aspect: Water			
EN8	CORE	Total water withdrawal by source.	Initiatives in Creating Products with Low Environmental Impact (28) Material Flows within Business Activity (31)
EN9	ADD	Water sources significantly affected by withdrawal of water.	—
EN10	ADD	Percentage and total volume of water recycled and reused.	—
Aspect: Biodiversity			
EN11	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Biodiversity Considerations (33)
EN12	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Biodiversity Considerations (33-34) Relations with Society (39)
EN13	ADD	Habitats protected or restored.	Environmental Preservation (35)

Item Profile		Indication	Relevant Page(s)
EN14	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	Biodiversity Considerations (33-34)
EN15	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Biodiversity Considerations (33-34)
MM1		Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	Biodiversity Considerations (33)
MM2		The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	Biodiversity Considerations (33)
Aspect: Emissions, Effluents, and Waste			
EN16	CORE	Total direct and indirect greenhouse gas emissions by weight.	Initiatives in Global Warming Control (26) Material Flows within Business Activity (31)
EN17	CORE	Other relevant indirect greenhouse gas emissions by weight.	Initiatives in Global Warming Control (26) Material Flows within Business Activity (31)
EN18	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Initiatives in Global Warming Control (25-26)
EN19	CORE	Emissions of ozone-depleting substances by weight.	Initiatives for Reducing Environmental Impact (29)
EN20	CORE	NO, SO, and other significant air emissions by type and weight.	Initiatives for Reducing Environmental Impact (27)
EN21	CORE	Total water discharge by quality and destination.	Initiatives for Reducing Environmental Impact (27-28) Material Flows within Business Activity (31)
EN22	CORE	Total weight of waste by type and disposal method.	Initiatives for Reducing Environmental Impact (28) Material Flows within Business Activity (31)
EN23	CORE	Total number and volume of significant spills.	Initiatives in Environmental Preservation (24)
EN24	ADD	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	—
EN25	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	—
MM3		Total amounts of overburden, rock, tailings, and sludges and their associated risks.	Initiatives for Reducing Environmental Impact (29) Material Flows within Business Activity (31)
Aspect: Products and Services			
EN26	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Initiatives in Creating Products with Low Environmental Impact (32)
EN27	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	Initiatives for Effective Use of Resources (18)
Aspect: Compliance			
EN28	CORE	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Compliance (75)
Aspect: Transport			
EN29	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	—
Aspect: Overall			
EN30	ADD	Total environmental protection expenditures and investments by type.	—
Labor Practices and Decent Work			
		Disclosure on Management Approach	Initiatives in the Six Key CSR Areas: Respect for People and Human Rights (45-46) Initiatives in the Six Key CSR Areas: Occupational Health and Safety (55-56) Relations with Employees (63)
Aspect: Employment			
LA1	CORE	Total workforce by employment type, employment contract, and region.	People and Human Rights-related Data (51)
LA2	CORE	Total number and rate of employee turnover by age group, gender, and region.	People and Human Rights-related Data (52)
LA3	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	—
Aspect: Labor/Management Relations			
LA4	CORE	Percentage of employees covered by collective bargaining agreements.	Relations with Employees (63)
LA5	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Relations with Employees (63)
MM4		Number of strikes and lock-outs exceeding one week's duration, by country.	Relations with Employees (63)

Item Profile		Indication	Relevant Page(s)
Aspect: Occupational Health and Safety			
LA6	ADD	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Occupational Health and Safety (57-58)
LA7	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Occupational Health and Safety (58)
LA8	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Occupational Health and Safety (57-58)
LA9	ADD	Health and safety topics covered in formal agreements with trade unions.	—
Aspect: Training and Education			
LA10	CORE	Average hours of training per year per employee by employee category.	People and Human Rights-related Data (50)
LA11	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Resources Development Initiatives (48) Initiatives Relating to Employee Diversity (49) People and Human Rights-related Data (50)
LA12	ADD	Percentage of employees receiving regular performance and career development reviews.	—
Aspect: Diversity and Equal Opportunity			
LA13	CORE	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	People and Human Rights-related Data (50)
LA14	CORE	Ratio of basic salary of men to women by employee category.	Initiatives Relating to Employee Diversity (49)
Human Rights			
		Disclosure on Management Approach	Initiatives in the Six Key CSR Areas: Respect for People and Human Rights (45-46) Human Rights Initiatives (47) Relations with Suppliers (67-68)
Aspect: Investment and Procurement Practices			
HR1	CORE	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Human Rights Initiatives (47)
HR2	CORE	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Relations with Suppliers (67)
HR3	ADD	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human Rights Initiatives (47)
Aspect: Non-discrimination			
HR4	CORE	Total number of incidents of discrimination and actions taken.	Human Rights Initiatives (47)
Aspect: Freedom of Association and Collective Bargaining			
HR5	CORE	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Relations with Employees (63)
Aspect: Child Labor			
HR6	CORE	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Human Rights Initiatives (47)
Aspect: Forced and Compulsory Labor			
HR7	CORE	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Human Rights Initiatives (47)
Aspect: Security Practices			
HR8	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	—
Aspect: Indigenous Rights			
HR9	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	—
MM5		Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	Relations with Society (39-40)
Society			
		Disclosure on Management Approach	Initiatives in the Six Key CSR Areas: Contribution to Society and Local Communities (37-38) Relations with Society (39) Risk Management (76)
Aspect: Community			
SO1	CORE	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Relations with Society (39)

Item Profile		Indication	Relevant Page(s)
MM6		Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	Relations with Society (39)
MM7		The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	Relations with Society (39)
Aspect: Corruption			
SO2	CORE	Percentage and total number of business units analyzed for risks related to corruption.	Risk Management (76)
SO3	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance (75)
SO4	CORE	Actions taken in response to incidents of corruption.	Compliance (75)
Aspect: Public Policy			
SO5	CORE	Public policy positions and participation in public policy development and lobbying.	Relations with Society (41)
SO6	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	—
Aspect: Anti-competitive Behavior			
SO7	ADD	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Compliance (75)
Aspect: Compliance			
SO8	CORE	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Compliance (75)
Aspect: Resettlement			
MM8		Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site	Human Rights Initiatives (47)
MM9		Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	Human Rights Initiatives (47)
Aspect: Closure Planning			
MM10		Number and percentage of operations with closure plans.	Relations with Society (39)
Product Responsibility			
		Disclosure on Management Approach	Relations with Customers (65-66)
Aspect: Customer Health and Safety			
PR1	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Relations with Customers (65-66)
PR2	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Relations with Customers (65-66) Compliance (75)
Aspect: Product and Service Labeling			
PR3	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Relations with Customers (66)
PR4	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Relations with Customers (66)
PR5	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Relations with Customers (66)
Aspect: Marketing Communications			
PR6	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Relations with Customers (65-66)
PR7	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Relations with Customers (66)
Aspect: Customer Privacy			
PR8	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	—
Aspect: Compliance			
PR9	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Relations with Customers (66)
Aspect: Materials Stewardship			
MM11		Programs and progress relating to materials stewardship.	Initiatives in the Six Key CSR Areas: Effective Use of Resources (15-16) Initiatives in Creating Products with Low Environmental Impact (32) Relations with Customers (65-66)

 **SUMITOMO METAL MINING CO., LTD.**

Head Office: 11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Tel: +81-3-3436-7705

Fax: +81-3-3434-2215

Website: <http://www.smm.co.jp/E/>

The following environmental considerations were applied to the printing of this report:

- The report uses paper certified by the Forest Stewardship Council (FSC) and made with wood from FSC-certified forests.
- The report is printed using vegetable oil-based ink

