



**Nobumasa Kemori**  
Chairman of the Board

**Tsutomu Ushijima**  
Outside Director

**Hitoshi Taimatsu**  
Outside Director

**Kazuhisa Nakano**  
Outside Director

## DISCUSSION

### Aiming for a Form of Governance Suitable for Sumitomo Metal Mining

Since adopting an executive officer system in 2001, the Company has worked to enhance the framework of its corporate governance through a focus on the supervision of execution by the Board of Directors and thorough improvement of compliance. Specifically, the Company has enhanced the functions of the Management Committee, that is held prior to Board of Directors meetings to perform fast decision-making, while the Board of Directors performs checks focused on whether that process was carried out from an objective standpoint. Effort is also made to confirm reported items, including behaviors not in line with compliance, through the eyes of outside directors. In addition, the Company is working toward full provision of information that goes beyond formalities because outside directors and outside Audit & Supervisory Board members can participate in nearly all conferences, including those of the Management Committee.

How is this governance framework viewed by outside directors? Dr. Kemori, Chairman of the Company, and three outside directors of the Company held a dialog on the form the Company's governance framework should take.

#### The Company's corporate culture and its connection to strengthening governance

**Outside Director, Mr. Ushijima (hereinafter "Ushijima")**  
Nearly all behaviors not in line with compliance, even slight ones, are reported to the Board of Directors. This is one of the characteristics of Sumitomo Metal Mining's governance.

**Chairman of the Board, Dr. Kemori (hereinafter "Kemori")**  
If the decision on whether or not to report is left to the discretion of a person in charge inside the company, essential information might not be reported. On that premise, we had cases of behaviors not in line with compliance viewed by outside directors and received opinions that differed from those inside the company. There was a case where proposed countermeasures were returned for re-consideration after the Board of Directors

questioned whether they were truly effective.

**Outside Director, Mr. Nakano (hereinafter "Nakano")**  
Even when something doesn't appear significant out in the field, a different conclusion can be reached when outside directors look at it from a variety of perspectives. For that reason, I see the decision to report things without exception as a good method for reducing latent risks.

**Ushijima**  
Even a risk that looks small at first can become an unexpectedly serious situation if ignored. That's why we check on reported items while considering what the items could lead to, and resolve them while they are still small. We also check whether anything else similar exists. I think these are meaningful steps in reducing management risk.

**Outside Director, Dr. Taimatsu (hereinafter "Taimatsu")**  
Soon after I was appointed as outside director, I was surprised at the number of reported items concerning compliance and safety. But now, after a year, I've come to

think that this company culture, in which everything gets reported, is what leads to the strengthening of governance.

#### Placing importance on the Company's quality, rather than just following formalities

##### Ushijima

Another characteristic of the Company's governance is that outside directors and outside Audit & Supervisory Board members can participate in nearly all meetings, including those of the Management Committee. Minutes of Management Committee meetings, which record in detail not only results but also what sort of deliberations took place, are shared with us. As such, even when we're not able to attend a Management Committee meeting, at Board of Directors meetings, we're able to see whether anything other than what was debated internally should be brought up as an issue. In addition, because the Audit & Supervisory Board confirms the agendas of Board of Directors meetings in advance, outside Audit & Supervisory Board members have sufficient understanding of the points of discussions.

##### Taimatsu

I make every effort to attend Executive Officers' Meetings. The detailed minutes of Management Committee meetings are clear on what the points at issue were and who was in charge, which is a good



thing. When something is unclear, it's always possible to directly ask someone in an expert department and receive a candid answer. Now, a year after being appointed, I have a good understanding of this, so I will attend Board of Directors meetings this year with the necessary information in advance.

##### Kemori

With the recent addition of Mr. Nakano, the Board of Directors maintains an eight-member structure but now with three outside directors. I think that there can be no complaints regarding the diversity of the Board of Directors, and so would like to create an opportunity for discussing the ideal for the Company's Board of Directors. Actually, the Board used an outside law firm to perform a self-evaluation of the Board of Directors in 2015. However, I believe that an evaluation has meaning when we start by creating a vision for the Company's Board of Directors ourselves and then evaluate our current state with respect to that.

##### Nakano

At the Company, important topics for the Board of Directors are fully deliberated in advance by the Management Committee. If that's the case, then what functions should the Board of Directors hold in the future? The functions of and the ideal for the Board of Directors will change with the mind-set of top management, the company's history, and more. It's important that we always think about what this ideal should be.

##### Taimatsu

With regard to the evaluation of the Board of Directors, I myself saw the results of the questionnaire and felt that everyone expressed frank opinions, despite the fact that this was the first time an evaluation was held. With such a good start to Board of Director evaluations, and if we proceed with initiatives of the sort that the Chairman talks about, I think things will move ahead in a good direction regarding Board of Director evaluations.

#### Aiming for and further developing a framework of governance suitable for the Company

##### Kemori

We consider methods of utilizing the Board of Directors, including outside directors. Last year, with the addition of Dr. Taimatsu, which increased our outside directors to two, we set up a Governance Committee composed of the outside directors and myself. There is also an Independent Committee composed of only outside directors.



##### Ushijima

In the Governance Committee, the President explains to the Committee members his policy regarding matters of corporate governance, such as the nomination and compensation of directors and executive officers, while we provide advice. This is a completely new endeavor for the Company. It is often said that it is difficult for outside directors to give opinions regarding nominations and compensation, but it is meaningful that the president himself makes explanations because such explanations will indicate the judgment criteria that lies behind his thoughts.

##### Kemori

Going forward, how outside Audit & Supervisory Board members and outside directors collaborate is also important to make governance be even more effective. So far, exchanges of information have taken place among members of the Independent Committee, but it is not yet

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clear how the five outside directors, including outside Audit & Supervisory Board members, should cooperate and contribute to the governance of the Company. I'd like to see this properly addressed.

### Ushijima

I think that's a good idea. I think a meeting for the exchange of opinions and information among outside directors would energize the Audit & Supervisory Board and the Board of Directors, so I'd definitely like to see it happen.

### Nakano

One company where I serve as an advisor holds an executive session, in which outside Audit & Supervisory



Board members, outside directors, and the representative director exchange ideas, once every two months. At that time, the participants exchange a variety of thoughts and ideas that they cannot communicate within official events. Because of this, communication among outside directors or between

outside directors and the representative director has become smooth, so I think the kind of endeavor you speak of would be effective.

### Kemori

With three outside directors, the framework of governance has become appropriate for the Company. It's my hope to make the Board of Directors even more active, and I ask for your cooperation in doing so.

**Our inheritance of the Sumitomo Business Spirit leads to the pursuit of social responsibility**

### Taimatsu

My background in university was in metallurgy, so I've heard about the history of the Company, going back to its Izumiya\* era, and I visited the Besshi Copper Mine Site and Besshi Copper Mine Memorial Museum last year when I was appointed as outside director. What impressed me strongly at that time was how the 400-year history of the Company has been one of continual practice of "corporate social responsibility," even from a time before that term existed. Both governance and CSR are widely spread ideas today, but I think companies that embody those over such a long time are rare. Although our history has included pollution and other regretful incidents, I think the presence of the Sumitomo Business Spirit has been at the root of the company overcoming those and continuing for 400 years.

\* Izumiya: The name of the copper smelting and decorative copper work shop established by Riemon Soga in 1590. This marked the beginning of the Company's copper business.

### Nakano

I agree. Without a solid philosophy and the presence of employees who work with a solid understanding of that philosophy, a company wouldn't be able to continue for 400 years. However, with the change of generations the number of young people in the company who cannot digest the philosophy has increased, which is something I have experienced myself as a managing officer. How can we instill that philosophy in young employees through our work and support the Company in the future? I have a strong interest in that question.

### Kemori

Thank you for your comment. Within the Sumitomo Business Spirit, there is the teaching "no pursuit of easy gains." This directs us to increase profits through business that is trusted by the public, without condoning business that pursues immediate profits or violates morality. I believe that this is the reason that we have placed importance on our core business while handing down our technology as a manufacturing company.

### Ushijima

"No pursuit of easy gains" is a good viewpoint from which to check our everyday actions. Rather than just seeking profit, we will engage in legitimate business without violating morality. That way of thinking is visible in a variety of scenarios.

Through my work as an attorney, I have seen what sort of deliberation takes place internally when problems occur, or how information is reported, inside a variety of companies. I have also been involved in the Company as an outside Audit & Supervisory Board member and an outside director.



What I feel is positive about the Company compared to other companies is the openness from top to bottom when a problem occurs, and a company culture in which problems are not denied when pointed out. I do not feel that this is a company where no one says anything once the top has decided on a course of action, rather, it is one where it's easy for employees to express opinions, and that Sumitomo's Business Spirit lies behind this.

### Kemori

Governance is becoming more appropriate for the Company. Looking ahead, I hope to cooperate with the outside officers, and manage the Board of Directors in a way that boosts the motivation of everyone from the president on down.