

# Contribution to Society and Local Communities

## Basic Approach

The SMM Group has long been providing a secure foundation for living for its employees and their families as part of its business, and building social infrastructure in many fields, such as culture, education and medicine, and opening them to the public. We have also practiced business in a manner that is considerate of the local environment. We continue to

carry out business activities that take local communities into consideration based on the SMM Group Corporate Philosophy, Management Vision, and CSR Policy. Decisions on every project are taken following ample deliberation at meetings at all levels to ensure they do not run counter to SMM Group policy and philosophy.

## Impact on Local Economies

### Local Procurement

Procurement from the vicinity of our operating areas is one aspect of the SMM Group's business operations that can contribute to the local economy. Our procurement in these areas complies with legal regulations and follows fair competition practices in full recognition of the importance of mutual development.

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 FY2016 was 51% (¥9.3 billion) for the Niihama District. The Pogo Gold Mine procures materials and equipment from some 237 suppliers in Alaska, accounting for 42% (US\$72.7 million) of total procurement. In the Philippines, the proportion of payments made to suppliers within the country was 48% (approximately US\$131 million).

### Local Hiring

The SMM Group's employment of individuals in the vicinity of operating areas not only directly contributes to the economy of the local community, but also helps to revitalize the region through human resource development and the provision of stable job opportunities. Since we believe that local residents' understanding of our business activities, paired with our understanding of local issues, is effective for deepening mutual concern, we continue to actively promote local hiring.

With regards to hiring, we have a clear recruitment process for each overseas business site and adhere 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.

At the Pogo Gold Mine, we strive to hire people locally and 66% of the approximately 300 employees are Alaska residents. At Coral Bay Nickel Corporation (CBNC) in the Philippines, efforts have been made to employ locals from Bataraza, achieving a ratio of 59%. At Taganito HPAL Nickel Corporation (THPAL), also in the Philippines, 43% are from Claver.

**Number of Locally-Hired Senior Managers**  
(General Managers and above) at Overseas Affiliates (March 31, 2017)

Company (Country/Region)	No.	
	Male	Female
Sumitomo Metal Mining Chile Ltda. (Chile)	2	0
Sumitomo Metal Mining do Brasil Ltda. (Brazil)	1	1
Sumitomo Metal Mining Peru S.A. (Peru)	2	0
Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)	5	1
Coral Bay Nickel Corporation (Philippines)	1	0
Malaysian SH Precision Sdn. Bhd. (Malaysia)	3	3
SMM KOREA Co., Ltd. (South Korea)	1	0
Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)	1	0
Suzhou SH Precision Co., Ltd. (China)	1	1
Shanghai Sumiko Electronic Paste Co., Ltd. (China)	4	0
<b>Total</b>	<b>21</b>	<b>6</b>

## Mine Closure Plans

During the development of a mine, the SMM Group takes into consideration the treatment procedures that must be carried out when closing it, making efforts to minimize the environmental impact after mining is completed. Mine closures are carried out according to 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 Gold Mine in the United States falls under Alaskan state law, which requires sites to be covered with 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 worked at the Besshi Copper Mine and other Japanese mines that are now closed have been transferred to other business sites or given assistance in finding new jobs.

### Closure Plan for Smelting Plants

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 CBNC. We are also required to put aside funds needed for the closure of any related business sites. The total cost according to the closure plan submitted by CBNC to the Department of Environmental and Natural Resources (DENR) is approximately 110 million pesos, and funds are being set aside every year for an eight-year period that started 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 business site. The total cost according to THPAL's closure plan is approximately 120 million pesos, and funds are being set aside every year for an eleven-year period that started in 2016.

\*SDMP: Social Development Management Program, conducted by a company for the welfare of residents living in the vicinity of its operating area.

### Reserves for Mine Closures

Mine	Reserve name	Reserves (2016)
Hishikari Mine	Mine pollution control reserve	¥21.80 million
Pogo Gold 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.

## Social Contribution Activities

The SMM Group identifies social issues through dialogue with local communities in the vicinity of our business operations and implements social contribution activities to solve those issues with the aim of becoming "a company that earns trust and

contributes to regional development through our business and social contribution activities rooted in each region," which is our Vision for 2020.

### Major Social Contribution Activities in FY2016

#### Social infrastructure building activities at operating areas

- Infrastructure building and construction of schools, hospitals, etc. with operational support in the Philippines
- Scholarships bestowed at overseas operating areas

#### Cultural and academic support

- Special supporter of The Golden Legend organized by Aichi Prefectural Museum of Art
- Support and contributions for healthcare groups, sports organizations and other groups, support for conservation of world heritage sites, etc.

#### Nature conservation

- Contribution to the Keidanren Nature Conservation Fund

#### Disaster area support

- Contribution to storm damage relief for Typhoon No. 10
- Contributions to relief efforts for areas affected by the Kumamoto earthquakes
- Contributions to earthquake relief efforts in the Philippines
- Donations to scholarship funds for children orphaned by the Great East Japan Earthquake
- Creation of employment and setting up of a new production site for battery materials in Naraha Town, Fukushima Prefecture