

Stakeholder Communication

Engagement with Employees

Basic Approach

The basis of employee engagement is that all employees can be proud to work for the SMM Group. In order to achieve this, SMM implements a variety of efforts including social contribution through its core business, providing a workplace environment where each individual can work dynamically, establishing human resources development programs, and

ensuring respect for diversity and human rights. The top executives of each division have the fundamental responsibility for promoting activities to identify and enhance employee engagement. However, SMM as a whole conducts regular employee awareness surveys to assess the situation as well as pave the way to improving activities.

Establishment of a Workplace Environment to Enable Working Dynamically

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 and the second survey in 2013, the third survey was conducted in September 2016. 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 sites directly controlled by SMM were surveyed, and this time, employees from Sumitomo Metal Mining Siporex Co., Ltd., Hyuga Smelting Co., Ltd., and Ohkuchi Electronics Co., Ltd. were also included. There was a total of 119 questions, and the response rate was 94.9%.

Survey results were reported to top management, general managers of Head Office divisions, general managers of business divisions, and workers' unions at feedback briefing sessions. Additionally, feedback seminars were held at directly-controlled business sites and group companies. Targeting management at each site, these seminars were used to disclose data for each site, ascertain outstanding issues for the site, and think about measures for creating better workplaces. For employees, survey results and an explanatory article appeared in the in-house bulletin, *Ibuki*, in July 2017.

Measures are being implemented at each site based on survey results and while engaging in communication with employees. The results of the latest survey are also being used as a reference in considering measures for promoting CSR in-house.

Labor-Management Relations

Workers' unions formed at SMM branch offices and business sites of SMM Group companies in Japan carry out activity under the umbrella of the Federation of Sumitomo Metal Mining Workers Union (Sumikoren). All regular employees join workers' unions in accordance with union shop agreements. Overseas, three consolidated subsidiaries have workers' unions (excluding Chinese labor unions). As of March 31, 2017, around 41%* 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 the company and workers' union mutually respect the other party's position, labor-management council meetings, or labor-management discussions, are held at least once a month with workers' unions at each branch office or group company. The Central Labor-Management Conference, a meeting between SMM management and executives of Sumikoren workers' 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 sites in order to observe the labor-management situation in those sites 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, or the formulation of new systems. 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 due to strikes or other action were reported during FY2016 within the entire SMM Group—both in Japan and overseas—and there were no serious infringements upon freedom of association.

Matters discussed with the workers' union, Sumikoren, during FY2016 include

- Discussions relating to human resources system
- Discussions relating to welfare programs

* Workers' unions membership ratio (percentage of all employees excluding officers)

Engagement with Local Communities

Basic Approach

When commencing and continuing operations in a certain area, the SMM Group seeks to coexist with the local community and to make a contribution to community development. Therefore, in addition to establishing opportunities for regular

communication with the local community and creating an environment that promotes mutual understanding, SMM actively implements a variety of efforts to integrate with the community.

Promotion of Mutual Understanding and Contribution to Local Development

Involvement with Local Communities

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

At the Hishikari Mine, the Pollution Prevention Council meets twice a year. In FY2016, budget briefings were held in April and September.

At CBNC, a Community Relations Section (COMREL) has been established. This section works to stimulate and strengthen management of the Social Development and Management Program (SDMP), a social contribution program established under the Philippine Mining Act. By means of Information Education and Communication (IEC) activities, the section is regularly sharing information with 22 villages (barangays), in the Rio Tuba area, including the 11 impact barangays. Through this activity, it obtains understanding for the SMM Group's activities, paving the way to stable operations.

CBNC has been operating a COMREL Information Center within the town site since August 2014. By having COMREL for both CBNC and RTN¹ in the same building, access for local residents was made easier, making interchange with them, such as dialog and explanatory meetings, more efficient.

Similarly, THPAL communicates with 14 barangays, including impact barangays in four nearby locations, as part of IEC

activities. In addition to this, it also carries out diverse activities such as the construction of local healthcare, school and other facilities and activities for children through SDMP and CSR. It also provides support for indigenous people through focused efforts, and strives to maintain positive relations with them through dialog.

During the approval process for operations at the Pogo Gold Mine, the Alaskan government provided explanations about the project to 13 villages inhabited by indigenous people in an area with a radius of more than 200 kilometers around the Pogo Gold Mine, particularly in the Tanana River basin, and G2G consultations were held to collect opinions. In addition, since operations began, there has been regular communication with local people. In 2016, five sessions were held to disclose information to stakeholders, including local residents, and the status of operations was explained. As yet, there have been no pending issues resulting from complaints from indigenous people in the areas surrounding the mines, smelters and refineries in which SMM has more than a 50% interest, including the Pogo Gold Mine. Furthermore, there have been no complaints to the SMM Group about community impact.

1. RTN (Rio Tuba Nickel Mining Corp.): A CBNC supplier mining company that mines nickel oxide ore that is a raw material in refining.



A parent and her child, who received palatal surgery under Operation Smile² (Palawan)



Quiz-type recreation for local children to instill curiosity (THPAL)

2. Operation Smile: An initiative in which plastic surgeons from Manila are dispatched to perform cleft lip and cleft palate surgery in Palawan, where many children are unable to receive such procedures for economic reasons. SMM participates in the initiative as a sponsor.

Stakeholder Communication

Communication 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 SMM shares. Information is made available on the SMM website, including business activities, earnings, financial data, and outlines and progress updates of the 3-Year Business Plan and other growth strategies. *The Report for Shareholders* is also sent out to shareholders twice a year to report on

financial results 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 and have published it on the SMM website. We will continue working to build and maintain a system of business administration so as to remain a company that has the trust and meets the expectations of its stakeholders, including shareholders.

Ongoing Dialogue with Shareholders and Investors

Investor Relations

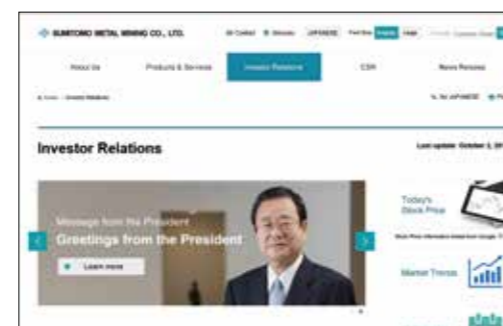
SMM holds twice yearly Business Strategy Progress Briefing Sessions in which the president provides explanations to institutional investors and securities analysts in person following the announcement of full-year and second quarter results. In February 2016, we also held a briefing session to coincide with the release of our 3-Year Business Plan. 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 same day via the SMM website.

In addition, a total of around 360 individual meetings with institutional investors and securities analysts were held in Japan and overseas in FY2016 to provide a direct communication channel. SMM participated in a conference organized by Japanese securities firms, and the president explained SMM's management issues and strategy to approximately 70 institutional investors from Japan and overseas. The president also pays visits to overseas institutional investors to explain the management policies and governance of SMM and receive feedback.

ディスクロージャー
2016年度 優良企業



As the result of various IR activities, we received the SAAJ Award for Excellence in Corporate Disclosure (top) for a sixth consecutive year, and the JIRA IR Grand Prix (bottom). Details about these awards can be found on p. 112.



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

Framework to Utilize Feedback from Shareholders and Investors

Opinions 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.



Business Strategy Progress Briefing Session

General Meeting of Shareholders

The General Meeting of Shareholders is an opportunity to engage in communication with shareholders. 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.

Communication with Other Stakeholders

Basic Approach

SMM believes that the transparent, timely and appropriate disclosure of information is a corporate responsibility, and we try to disclose information impartially to all stakeholders. SMM actively publishes current activities and plans and

policies for the future via the SMM website. The aim is mutual understanding through communication so that business is promoted in a shared direction with all of our stakeholders.

Promotion of Mutual Understanding with Other Stakeholders

Communication with NGOs

SMM exchanges views with international environmental NGO Friends of the Earth Japan (FoE Japan) on a regular, ongoing basis about the quality of water in rivers in the area of 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 plant 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 been promoting rehabilitation efforts that will turn its Tailings Storage Facility No. 1, a tailings dam no longer in use, back into a natural state.

SMM explains these local activities in detail and continues to

advance necessary improvements while listening to opinions and arguments put forward by FoE Japan.



Revegetation at CBNC tailings dam

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.

Declaration of Support for the EITI

The Extractive Industries Transparency Initiative (EITI)¹ is an initiative 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, flow 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 July 2016, among countries in which SMM conducts business, Indonesia and Peru were compliant, and the United States and the Philippines are EITI candidate countries.

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