# Sustainability at SMM Management Approach

Our Approach to Business and Sustainability

The Board of Directors and Social Responsibility at SMM

SMM's Board of Directors oversees activities and progress toward Vision for 2020, the long-term vision that we seek to achieve through the value creation process and our business processes.

In executing our business under the responsibility of our president, we divide business activities into "business operations" that we discuss and execute, and "social responsibility," in which we discuss and respond to issues related to the sustainability of our business and issues related to the growth of our business. In the Management Committee, which serves

directly under the president, deliberations are held from a broad perspective on matters to be resolved by the Board of Directors and matters to be approved by the president, and have been determined to require deliberation, such as key management policies, management strategy, management plans, and capital expenditures. Also, in addition to deciding whether those matters will be referred to the Board of Directors, the committee supports approval granted by the president.
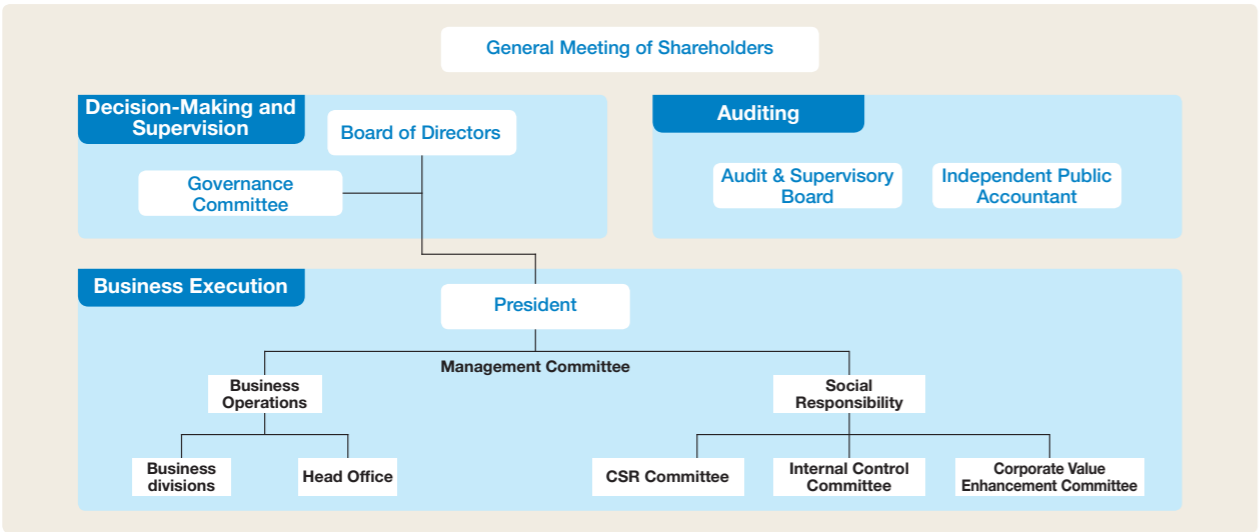
Related information See p. 18, 19 for information on the long-term vision and Vision for 2020.

The Social Responsibility of the SMM Group

With the stable supply of mineral resources and materials as our mission, the SMM Group must fulfill its social responsibility, meeting the conditions of an every-changing society. To do that, it is important that we achieve continuous growth in our business, improve our corporate value, thoroughly enforce internal control

and oversee initiatives for internal control, and promote the SMM Group's social responsibility. In the execution of these activities and our corporate activities, we execute work through balanced business activities, and decide on important work in Board of Directors meetings.

Committees and Framework
■ Corporate Value Enhancement Committee

Working primarily through our Corporate Value Enhancement Committee to increase our corporate value, we position projects in excess of a certain investment value and expected return value in our mineral resources, smelting and refining, and materials businesses as large-scale projects. We categorize these large-scale projects under the labels "Sowing," which spans from narrowing down projects to selection; "Planting," which covers determination of the project organization to completion of construction for the project; "Nurturing," which ranges from the start of production to achievement of the design capacity; and "Harvesting," which covers ongoing verification of the project

through full production. For each of these, the committee receives status reports on project progress, and offers on-the-spot counsel and instruction.

The Corporate Value Enhancement Committee is chaired by the president, who appoints a senior managing executive officer who is not a general manager of a business division to serve as vice-chairman. General managers and deputy general managers of business divisions, the General Manager of Technology Div., the General Manager of Engineering Div., and the heads of related operational divisions in the Head Office serve as committee members, holding regular meetings twice a year.

■ Internal Control Committee

To enforce internal control, we work primarily through the Internal Control Committee to build, maintain, and improve internal control systems in our group. The creation of internal control systems for the proper and efficient execution of business leads to enhanced legal compliance, efficiency, and transparency in management. We view internal control systems as vital tools in securing the sustainable growth of our group, and are working to strengthen

initiatives through the Internal Control Committee.

The committee operates with the president as chairman, the executive officer supervising the Internal Audit Dept. as the vice-chairman, and the general manager of the Internal Audit Dept. and other heads of related operational divisions in the Head Office as committee members.
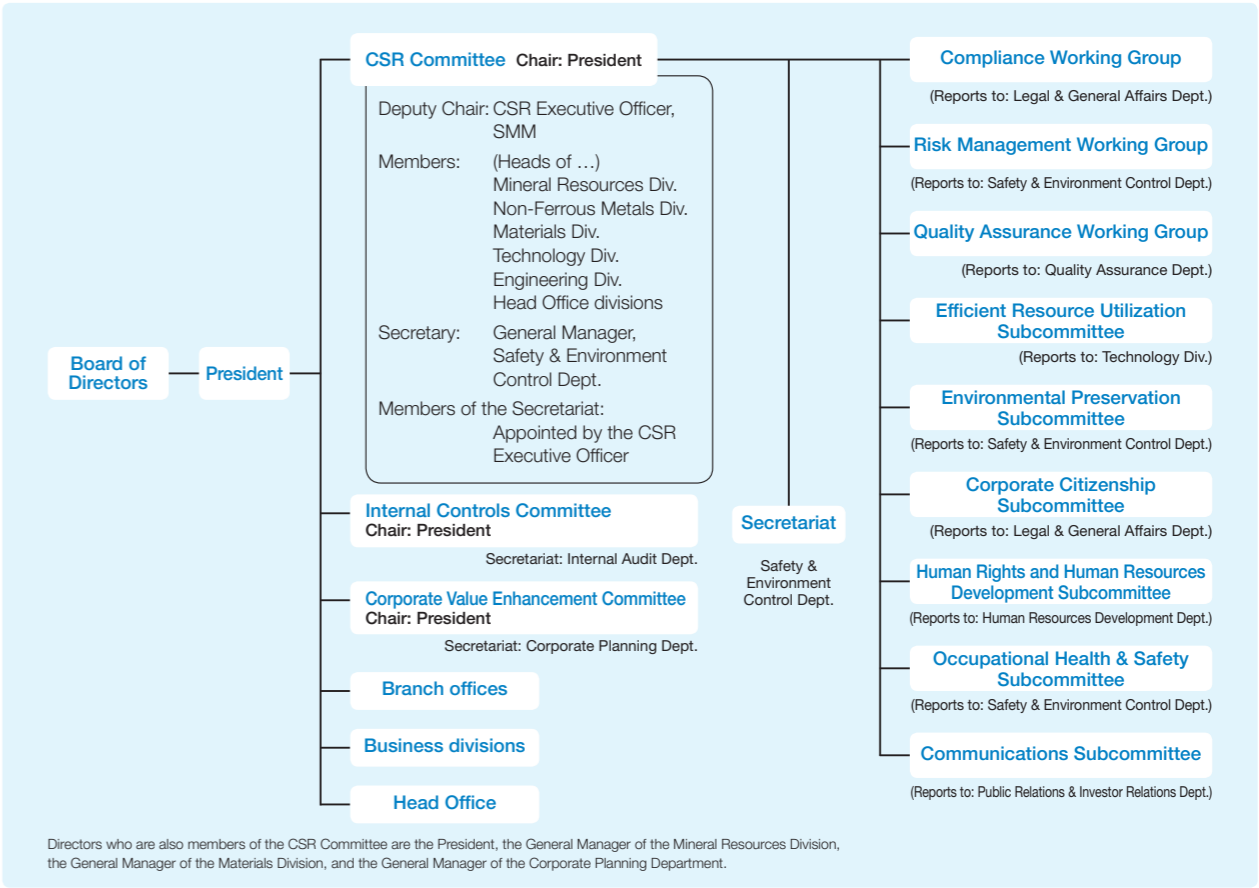
■ CSR Committee

Working primarily through our CSR Committee to carry out our corporate social responsibility, we conduct deliberations on CSR policy, CSR areas of high priority, proposals to modify Vision for 2020, annual plans for CSR activities, and other key matters involving CSR activities, as well as deliberating and deciding on indicators for evaluating our progress toward Vision for 2020, regular evaluations and the launch of corrective measures concerning CSR activities, the provision of information concerning our work on CSR activities, information exchanges, explanations of key policy measures, sharing of knowledge, and major issues concerning CSR activities. We continue such initiatives with the goal of sustainable co-existence with the global environment, as set forth in the SMM Group Corporate Philosophy.

Attached to the CSR Committee are three working groups—the Compliance, Risk Management, and Quality Assurance

Working Groups—and six subcommittees, including the Efficient Resource Utilization Subcommittee, that address the six CSR areas of high priority.

Meeting twice a year, the CSR Committee is chaired by the president, with the CSR executive officer participating as deputy chair, the general managers of divisions, the General Manager of the Technology Div., the General Manager of the Engineering Div., and the heads of operational divisions in the Head Office as committee members, and the Safety & Environment Control Dept. as secretariat.

The six subcommittees and three working groups are under the jurisdiction of the relevant divisions, and draft and execute annual targets and plans in line with the KPIs set for each material issue.

Risk Management

The president is the person responsible for risk management (RM), and he formulates RM policy for each fiscal year. Based on this policy, each of our sites also formulates a fiscal year RM action plan, through which it engages in RM. For specifically identified serious risks, we engage in risk reduction measures that include drills simulating the materialization of risks, while strengthening our ability to respond to emergency situations.

SMM has a Crisis Management Framework for addressing particularly serious risks that carry the potential for serious damage and which must be dealt with by the SMM Group as a whole. Actions under the RMS include RM internal audits, risk reassessment during the RM Promotion Campaign, and RM patrols, allowing us to check for any changes that would impact RM activities.

Compliance Initiatives

The president is the person responsible for compliance initiatives and he appoints an executive to be in charge. The president, directors, and executive officers promote compliance initiatives. The SMM Group goes beyond compliance with laws, regulations, Articles of Incorporation, and its own rules, working to fulfill the moral and social responsibilities demanded of us as

a member of society, through sound corporate activities. As a rule, we report all violations of compliance by the SMM Group to the Board of Directors so as to halt such incidents at the outset. The Board of Directors monitors whether there is an appropriate framework for compliance and whether that framework is being effectively operated.

Human Rights Management

As well as being a corporate social responsibility, respect for human rights is something that should be valued for every single individual as a human being. The human rights of not only SMM employees but also stakeholders must be protected equally. In order to achieve this, the SMM Group provides the

necessary awareness education to all employees, in addition to implementing proper monitoring through the establishment of human rights hotlines, the conduct of human rights due diligence, and by taking prompt and appropriate action when a human rights problem is confirmed.

Quality Control

The president is the person responsible for quality control, and he addresses quality assurance by determining a Company-Wide Quality Policy and setting the SMM Quality Standards for each fiscal year. Based on these SMM Quality Standards, each business division sets forth division-specific quality targets, and the entire group is aligned when conducting quality activities.

The Quality Assurance WG meets two times a year, with

the Head Office Quality Assurance Dept. serving as Secretariat. In addition to deliberations on key measures for the promotion of quality assurance, the meetings feature reports on progress toward departmental targets and quality control status, including the reduction of complaints against the company. This sharing of information is then incorporated into further improvements in our quality control framework.

Occupational Health and Safety Management

With the president as the person responsible for occupational health and safety, the executive officers of the Safety & Environment Control Dept. execute work related to occupational health and safety. Also, each sector of our Head Office organization and each business site assigns a health and safety officer in charge of functional coordination relating to health and safety issues.

The general manager of each business site is appointed health and safety manager of that site, as provided for by 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 of each business site.

Constructive discussions on ways to improve health and safety in the workplace take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management.

Environmental Management

Upon consideration of the SMM Group's environmental risk, the president sets targets (SMM Group environmental targets) every year as the person responsible. Acting on these targets, each business division's lines (i.e., workplaces and companies) operate environmental management systems established on the basis of the ISO 14001 standard, with the Safety & Environment Control Dept. providing cooperation, support, and functional direction as the Secretariat for these actions.

As for environmental management systems which serve as the basis for environmental preservation activities, the Head

Office, branches and all production bases and sites responsible for closed and suspended mines in the SMM Group have acquired ISO 14001 certification. In addition, any new production bases are also required to acquire certification as quickly as possible. Furthermore, since the occurrence of accidents at any time during the development of a mine creates the risk of significant environmental impacts, SMM works with our partners to mitigate environmental risks even at mines we do not operate, such as mines in which we hold an interest.

The Basic Approach and Policies of the SMM Group

SMM Group Code of Conduct

In 2000, the year after the JCO criticality accident[1] of September 1999, the SMM Group formulated a Corporate Reform Plan and embarked on a new beginning with three initial priorities:
1. Reconfirmation and Thorough Execution of the Corporate Philosophy;
2. Reinforcement of Corporate Organization;
3. Reform of Corporate Culture.

Based on the above, in 2004, we established the SMM Group Corporate Philosophy and the SMM Group Code of Conduct to be applied throughout the SMM Group. The Code of Conduct was revised in 2008 in line with the full-scale launch of our CSR activities and revised again in 2015 for responding to globalization and strengthening of CSR activities to further advance initiatives steadily put in place based on our long-term vision articulated in the 2012 3-Year Business Plan.

■ **SMM Group Code of Conduct (categories only)**

1. Compliance: Abidance by Laws and Rules
2. Respect for Individuals
3. Assurance of Health and Safety
4. Development of Human Resources
5. Risk Management
6. Adherence to a Progressive Stance
7. Respect for Teamwork, Promotion of Good Communication
8. In Harmony with Society and Local Communities
9. Separation of Corporate Business and Personal Affairs
10. Collection, Management and Usage of Information
11. Handling of Intellectual Property
12. Assurance of Quality
13. Stance toward Performance of Sales and Purchasing
14. Stance toward Entertainment and Gifts
15. Severance of Relationships with Socially Disruptive Forces
16. Concern for the Global Environment
17. Attitude in the Performance of Global Business Activities

See p. 119 for details of these 17 items.
Established April 2004
Revised April 2015

Related information See p. 2 for information on the SMM Group Corporate Philosophy.

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. This accident caused immeasurable suffering to the local community, with citizens living close to the plant forced to evacuate.

CSR Policy

On the basis of our CSR Policy, the SMM Group actively engages in six CSR areas of high priority: Effective Use of Resources, Environmental Preservation, Contribution to Society and Local Communities, Respect for People and Human Rights, Occupational Health and Safety, and Stakeholder Communication.

■ CSR Policy

❶ 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.
❷ SMM shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
❸ 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.
❹ According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
❺ SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

Established October 2008
Revised July 2012

Corporate Governance Guidelines

SMM views corporate governance as a disciplinary framework both for maximizing the corporate value of the SMM Group and for ensuring sound management practices. As such, it is one of the most important management issues.

Through striving to enhance our corporate governance, we will conduct efficient and sound business activities, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders in order to realize the SMM Group Corporate Philosophy.

SMM Group Policy on Human Rights

SMM established the SMM Group Policy on Human Rights in 2010. The SMM Group is constructing a Group-wide human rights management program that incorporates a human rights due diligence framework based on the UN's Guiding Principles on Business and Human Rights. We aim to build a structured system to prevent and avoid complicity in either direct or indirect violations of human rights, and to make possible more appropriate responses, including relief, to concerns that arise.

■ 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.

❶ 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.
❷ 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.
❸ 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.
❹ 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.
❺ The SMM Group will establish appropriate measures and procedures for responding to human rights problems should they occur.
❻ 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.

Established August 2010
Revised October 2015

Company-Wide Quality Policy

To achieve continuous improvement in the products the SMM Group manufactures and sells, we have established a Company-Wide Quality Policy, upon which each business division sets forth its quality policy. We pursue product creation that combines outstanding safety, quality, and the environment in a way possible only for the SMM Group, excavating ore, a natural resource, making it into metal materials by smelting and refining, and adding new value to those materials.

■ Company-Wide Quality Policy

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

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

Established January 1994
Revised January 2007

Partnerships with Outside Organizations

SMM participates in the international organizations listed below, issues declarations of support, complies with the organizations' rules, and supports their activities. As a company in the mining and metal refining industries, we undertake initiatives for the sustainable development demanded of us.

International Council on Mining and Metals (ICMM) https://www.icmm.com/
Extractive Industries Transparency Initiative (EITI) https://eiti.org/

Sustainability Strategies and Our Commitment

Material Issues for SMM

SMM's Stakeholders

At the SMM Group, the following entities were identified as stakeholders that are affected by the Group, or affect the Group: Customers, Shareholders, Employees, Regional Communities, Creditors, Business Partners, Citizens Groups, and Government Agencies. The SMM Group aims to maximize its corporate value with a specific target established as the SMM Group's proper objective for each stakeholder.

■ The SMM Group's Stakeholders and Proper Objectives regarding Each Stakeholder

To Customers	Be a company that accurately understands customer needs and has comprehensive competitiveness with an edge over other firms with respect to technology, quality, delivery and costs.
To Shareholders	Be an excellent entity in which to invest: one that pursues maximum corporate value through efficient management and sound governance, disburses dividends matching its business performance, and discloses information as appropriate.
To Employees	Be a company that provides a favorable work environment, clearly defines the roles of all individuals within the organization, and makes employees proud to work for it.
To Regional Communities	Be a company that coexists well with its regional communities and that makes positive contributions to those regions' development.
To Creditors	Be a company that has earning capacity, outstanding financial strength, and trustworthiness.
To Business Partners	Be a company that possesses outstanding technological strength, places importance on integrity and trust, and is capable of co-prosperity.
To Citizens Groups	Be a company that is keenly alert to its social responsibilities and undertakes appropriate communication.
To Government Agencies	Be a company that implements compliance fully and makes positive contributions for the benefit of the countries and regional communities where it is undertaking its projects.

Identification of Material Issues

To achieve the continuous creation of value, the SMM Group assesses, categorizes, and organizes the risks and opportunities that affect that value, reflecting them in our medium- to long-term strategies (see p. 34, 35). In our sustainability strategies, we identified 26 material issues (see p. 36, 37) in 2015 based on SMM's material issues identification process in Steps 1-4 below, and take a strategic approach toward six CSR areas of high priority: Effective Use of Resources, Environmental Preservation, Contribution to Society and Local Communities, Respect for People and Human Rights, Occupational Health and Safety, and Stakeholder Communication.

▶ Step 1   June 2014

Identification of sustainability issues

As sustainability issues, we identified a variety of issues that positively or negatively impact the formation of a sustainable society. In doing so, we focused on the guidelines at right, with the result that we identified 102 issues. We further consolidated the issues according to their shared qualities, in the end identifying 58 sustainability issues.

■ Guidelines referenced

- Aspects of the GRI Sustainability Reporting Guidelines Version 4 (G4)
- Issues in ISO 26000
- Principles and position statements of the ICMM
- The Ten Principles of the United Nations Global Compact
- Items noted in the DJSI and other corporate assessments

▶ Step 2   July 2014–August 2014

Assessment of materiality and identification of material issues

We evaluated these issues on the two axes of materiality for stakeholders and materiality for the business of the SMM Group. We identified 26 material issues for which importance is high on both axes and for which our current initiatives should be strengthened.

Materiality for stakeholders (vertical axis) — Material issues — Materiality for the business of the SMM Group (horizontal axis)

■ Main perspectives in evaluation of materiality

Materiality for stakeholders

- Degree of impact on stakeholders' immediate rights
- Opinions of stakeholders
- Requests directed at the SMM Group, organizations to which we belong, and our industry
- Social issues in areas where we operate, and the scale of these social issues
- Scale of the potential negative or positive impacts of our business

Materiality for the business of the SMM Group

- Degree of impact on our social license to operate
- Degree of relationship with our business policy and business strategy
- International social norms and industry rules
- Opportunities for income and sources of competitiveness in the future

▶ Step 3   September 2014–November 2014

Consideration of draft revisions to the Vision for 2020 and KPIs

We categorized the identified material issues into our Six CSR Areas of High Priority and formulated draft revisions to the Vision for 2020, in line with our targets and our approaches for addressing the organized material issues as a Group. We also identified specific targets and KPIs for assessing our degree of achievement toward the Vision for 2020.

(Specific targets and KPIs correspond to the targets of the relevant subcommittee. See Activities and Achievements for the Six CSR Areas of High Priority (p. 92–97) for details)

▶ Step 4   December 2014–March 2015

Validation

The Chairman, President, and all 24 executive officers took part in 15 hours of deliberations on the considered material issues, the Vision for 2020, the specific targets, and the KPIs, with a focus on verifying consistency with our business policy and business strategy. Validation of the final draft was carried out through confirmation by the CSR Committee and decision by the Board of Directors.

■ Regarding Boundaries

In the process to identify material issues, as a result of analyzing and verifying the effects on our own business activities and in the supply chain, the boundaries for the material issues below were established as follows. Boundaries other than these apply to the SMM Group (see p. 6–7 for the Group's scope).

SMM Group & Suppliers   Topic: [Environmental] Emissions (Material issue 8)
Topic: [Environmental] Effluents and Waste (Material issue 8)

Suppliers   Topic: [Human Rights] Supplier Human Rights Assessment (Material issue 20)

Setting Targets for SMM's Material Issues

For information about our thinking, targets, and KPIs concerning material issues in the six CSR areas of high priority (Effective Use of Resources, Environmental Preservation, Contribution to Society and Local Communities, Respect for People and Human Rights, Occupational Health and Safety, and Stakeholder Communication), as well as our FY2017 performance, issues, and FY2018 plans, see the sections on our thinking and our performance on p. 92 and later.

Response to Complaints and Comments Directed at Our Group

In terms of human rights-related response, our group has established the Speak Up System direct hotline for employees, conducts human rights due diligence on employees and suppliers, creates regular opportunities for communication with local communities, and engages with those communities. Each of our domestic and overseas workplaces acts as a point of contact for complaints related to the environment, while sales and other sites act as points of contact for complaints about products and services. Our website features a page that directs viewers to points of contact for all types of inquiries.

[Related information] See p. 86 for information on the Speak Up System.
See the following link for contact information: http://www.smm.co.jp/E/contact/

Evaluation of Sustainability

The CSR Committee reviews the activities of each area based on reports from working groups and subcommittees. Reviews include activity progress reports and activity plans for the next fiscal year, evaluations of the company's environmental, social, and economic performance, the execution of corrective measures where necessary, and the implementation of our PDCA (Plan-Do-Check-Act) cycle.

Activities for Sustainability and Growth

Risk Management

Risk Management Framework

Setting SMM risk management (SMM RM) as a cornerstone to strengthen our corporate structure, the SMM Group has established an enterprise risk management system (RMS) built on Six Principles.

The president of SMM is the highest responsible person for SMM RM, and formulates RM policies every fiscal year.

The SMM RM framework, our responses to the manifestation of risks, and other matters related to risks are set forth in the company regulations. The progress of RM activities across the SMM Group is checked by the RM Working Group under the CSR Committee. The RM Working Group checks current RM issues, annual RM policy, annual RM action plan progress, and strengthens the Group-wide risk awareness level, and so on. Each RM activity throughout the Group is driven by an RM Promotion Officer placed in each division.

In the SMM Group, the top management of each division or business site formulates and enacts an annual RM action plan based on present conditions. Serious risks registered in the databases are addressed to reduce the risks in accordance with the annual RM action plans under the PDCA cycle concept, and the outcomes of activities are evaluated, and the RM action plans are improved. Drills based on the assumption that a risk materializes are planned, and evaluations of these drills are used to increase group capability to respond to emergency situations. The SMM Group also has a Crisis Management Framework to address what it calls SMM Group-wide Serious Risks, if they materialize.

Furthermore, SMM RMS activities include RM internal audits to check RM performance and reassess risk during the RM Promotion Campaign to check for any changes that would impact RM activities.

The SMM Safety & Environment Control Dept. educates people in the company about the RMS and takes RM patrols as opportunities to assess the operational status of the RMS in divisions, at business sites, and at group companies, and offer support to the RM activities of these. To ensure that SMM RM activities are effective, the department manages the RM Working Group and RM Promotion Officers, conducts RM internal audit seminars, and gives counsel for drills.
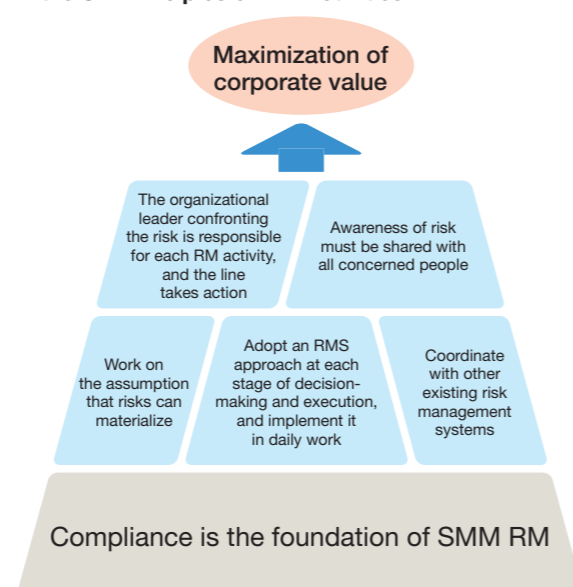
Principal Managed Risks

Each organization that forms a unit of RM activity performs a review of risk registration sheets as needed when changes occur, or regularly during the Risk Promotion Campaign in September with special attention given to the risks noted below.

- Explosions and fires
- Natural disasters
- Quality failure
- Terrorism / abduction
- Violation of intellectual property rights
- Environmental pollution
- Legal violations
- Occupational accidents
- Pandemics
- Others　Other risks include those originating from moral misconduct, such as fraudulent accounting, information leaks, human rights issues, and malfeasance.

Initiatives

The SMM RM policy for FY2018 proclaims, "Top management will take the lead in deciding what the organization must do, and controlling business risks." As sound business operation forms the basis for contribution to society, top management works to prevent occupational accidents, compliance violations, environmental accidents, quality issues, and other problems; leads new businesses and projects to success, and in crises, by exercising leadership for BCP-based activities.

■ The Goals of Risk Management and the Six Principles of RM Activities

Maximization of corporate value

The organizational leader confronting the risk is responsible for each RM activity, and the line takes action

Awareness of risk must be shared with all concerned people

Work on the assumption that risks can materialize

Adopt an RMS approach at each stage of decision-making and execution, and implement it in daily work

Coordinate with other existing risk management systems

Compliance is the foundation of SMM RM

Responding to Natural Disaster Risks

Each site enacts measures against natural disasters, such as earthquakes, tsunamis, floods, liquefaction, landslides, and volcanic eruptions, in accordance with each site's hazard level. In addition to ongoing measures such as seismic reinforcement of buildings, stockpiling of food and water, and evacuation drills, in recent years improvements including shoreline reinforcement, strengthening of wastewater treatment capability, installing extra water storage tanks, and enhancement of emergency supplies have been implemented.

Implementing Drills

Each business site engages in drills that simulate the occurrence of environmental accidents, fires, earthquakes, and other emergencies. These drills are planned according to purpose, including hands-on, in-service drills conducted in line with scenarios and response procedures, workshop-based drills in which participants are presented with a situation to be addressed, and "blind scenario" training that tests instantaneous response capabilities.

SMM RMS Adoption at Overseas Business Sites

At overseas business sites, SMM RM is mainly managed by general managers and other staff from SMM corporate. To further instill SMM RM, local staff participate in RM activities as well. New overseas business sites work on adopting SMM RM under the support of the managing business divisions, and overseas group businesses that have already adopted the SMM RMS.

Drill for transport of injured people (Nittosha Co., Ltd.)

Drill for evacuating injured people via stairs (Shinko Co., Ltd.)

Drill to respond to the abduction of employees stationed abroad (SMM Head Office)

Targets and Action Plan to Address Issues

Prevention of Serious Industrial Accidents

Issues

Prevention of serious accidents such as occupational accidents, explosions or fires originating in equipment and processes, and leakage of hazardous substances (chemical solutions, gases, petroleum products, mining sediments, etc.)

Action plan for improvements

- Solid execution of risk assessment and risk response before the start of operations
- Improvement and renewal of existing facilities and processes that present elements of risk
- Improvement of management techniques through review of operational procedures and education/training

Review of Business Continuity Planning (BCP)

Issues

Creation of continuity plans for businesses required to continue

Action plan for improvements

- Inspection of disaster readiness plans and business recovery plans, and continuous review through response drills
- Consideration of and response to the necessity of frameworks for continuing the provision of products and services, without depending on the recovery of production sites and supply chains

Group-Wide Strengthening of Crisis Management

Issues

Response to diversifying risks, including natural disasters and acts of terrorism

Action plan for improvements

- Promotion of efficient deliberation and action on Group-wide risk response preparations by the Crisis Management Committee
- Improvement of competence through drills in cooperation with business sites and the SMM Head Office, incorporating supervision and guidance from experts

Compliance Management and Improvement

Compliance management is performed according to our internal basic compliance regulations. We have established the Compliance Working Group under the CSR Committee to promote and improve compliance management. The Compliance Working Group provides and exchanges information, and discusses policy and key measures concerning the promotion of compliance to the SMM Group.

In FY2017, the Compliance Working Group convened and confirmed the following.

1. Compliance Monitoring

Looking at our compliance status in FY2017, there were no major violations concerning the environment, products, or services, or major violations of laws or regulations, including competition laws.

2. Review of Compliance Training

The SMM Group's compliance requires ethics-based conduct and decision-making that go beyond abidance by the laws and regulations, and that key matters related to compliance are made known to employees through a range of various training programs.

Also, in order to prevent serious violations of the law from occurring, we have the following company regulations, and we work to promote compliance.

■ **Company Regulations Concerning Compliance**
- Regulations on insider trading prevention and information management
- Regulations on the safeguarding of personal information
- Export administration regulations
- Regulations on the management of confidential information
- Regulations for the prevention of bribery, etc.

Speak Up System

In situations where problems or doubts under the SMM Group Code of Conduct occur, and consultation with superiors fails to bring forth an appropriate response, employees are able to use the Speak Up System to directly report the matter to: (i) in-house liaisons which are the general managers of the Legal & General Affairs Department, the Safety & Environmental Control Department, and the Internal Audit Department; or (ii) outside liaisons which are designated attorneys. The source of the information is always kept secret and if, for any reason, the informant is treated unfairly, the person who initiated the unfair treatment will be punished appropriately.

In FY2017, there were five cases brought up through the SMM Group Speak Up System. Broken down, these were three cases involving harassment, one case involving employee management, and one case involving salary and hiring. Each of these consultations was handled appropriately.

Participants of Compliance Education (FY2017) ☑

Type of seminar	Target		Gender	Participants
Compliance seminar for general managers	Officers		Male	36
			Female	0
Lecture on systems to prevent bribery	Employees	Younger than 30	Male	29
Briefing on systems to prevent bribery			Female	8
Introductory training for new employees		30–49 years old	Male	93
Seminar for newly promoted E-class employees/section managers			Female	10
		50 and older	Male	175
			Female	1
JCO Study Center training	Officers		Male	0[1]
			Female	0
	Employees		Male	361
			Female	90

Note: Attendees include those belonging to equity-method affiliates. The information in this table covers Japan.
1. All attendees completed the course in previous fiscal years.

Responsible Mineral Sourcing

The SMM Group Policy on Human Rights (established and enacted in 2010; see p. 80) establishes that "the SMM Group will not engage in child labor or forced labor" and that we will "make efforts to prevent child labor or forced labor from occurring among outside parties over which the Group has influence." We conduct responsible mineral sourcing under this policy.

With regard to "conflict minerals" (gold, tin, tantalum, and tungsten) in particular, reporting requirements and regulations on businesses are being strengthened in the U.S. and Europe. This is due to resources mined from the Democratic Republic of the Congo and nine surrounding countries being involved in child labor, forced labor, and other human-rights violations, and in the expansion and prolonging of conflict by providing financial resources for armed groups. To ensure that the smelting and refining of gold in our business does not make use of conflict minerals, in FY2012 we began operating in accordance with the Responsible Gold Guidance of the London Bullion Market Association (LBMA) and undergo periodic audits by a third party organization.

The SMM Group's Coral Bay Nickel Corporation (CBNC) plant on Palawan Island and Taganito HPAL Nickel Corporation (THPAL) plant on Mindanao Island in the Philippines receive supplies of low-grade ores from surrounding mines, from which we produce mixed nickel-cobalt sulfides and then manufacture electrolytic nickel, electrolytic cobalt, and other products at the Niihama Nickel Refinery in Japan. In recent years, cobalt has become another target of responsible mineral sourcing for which we must prevent child labor and forced labor, and for which our company is aiming for transparency in the supply chain.

LBMA Responsible Gold Certificate

Suppliers, Local Communities, and Employees

The SMM Group engages in the following initiatives, based on the SMM Group Policy on Human Rights.

1. Suppliers

As a component of our human rights management program, starting in 2015 our mineral resources, smelting and refining, and materials divisions, in cooperation with the Purchasing Department, ask about 60 of our largest suppliers by annual transaction value to respond to a triennial questionnaire on human rights. Based on the results, the divisions and the Purchasing Department each designate one company, or four total, as a target of inspection, and make visits to survey the companies.

When conducting business with mining companies that are new suppliers to our smelting and refining business, we perform environmental due diligence (environmental DD) to evaluate how those companies carry out environmental management. In FY2017, there were no new suppliers for which we conducted environmental DD.[1]

2. Local Communities

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 consent and understanding of local citizens beforehand and offer alternative land. Even after relocation, we continue to provide support through initiatives to repair and maintain homes and help to restore people's livelihoods.[1]

Moreover, we conduct regular exchanges of information with Friends of the Earth Japan (FoE Japan) on river water quality, the living conditions of local communities, and other topics concerning the areas surrounding our CBNC and THPAL plants in the Philippines.[2]

3. Employees

We launched full-scale operation of a human rights management program in FY2014, and conducted a basic survey regarding human rights at business sites and group companies in Japan and overseas in FY2016. At sites where issues were identified, we are making improvements and conducting on-site inspections as required.

To deepen awareness of human rights and prevent related issues, we conduct human rights education appropriate to the circumstances, such as when joining the company, when one is promoted, and when one is sent overseas. Every December, which includes Human Rights Week, we also conduct human rights education for all employees in business sites and group companies in Japan and overseas.

To prevent harassment, every site appoints a person to be in charge of prevention. We have also set up a consultation hotline and engage in ongoing initiatives to combat this issue.[1]

1. See p. 110 for details on Sustainability Data: Social and Environmental Assessment Initiatives.
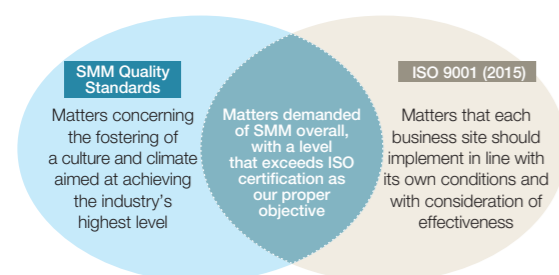2. See p. 116 for details on Sustainability Data: Stakeholder Engagement.

SMM Quality Standards

In January 2016, we started operating under the SMM Quality Standards, which has the proper objectives for quality control, to effectively operate the quality management systems of the SMM Group's business sites.

Every fiscal year, each business site sets and acts in accordance with a target level for the SMM Quality Standards, and checks its achievement of quality control levels through self-assessment and through second-party audits by the Quality Assurance Department.

In FY2017, audits were performed at 27 business sites in the SMM Group, and we confirmed that the level of quality control has increased at all of the sites.

In FY2018, we will continue to conduct quality activities and second-party audits at business sites, and will undertake revision of the SMM Quality Standards to further heighten the level of quality control we must aim for.

SMM Quality Standards — Matters concerning the fostering of a culture and climate aimed at achieving the industry's highest level

Matters demanded of SMM overall, with a level that exceeds ISO certification as our proper objective

ISO 9001 (2015) — Matters that each business site should implement in line with its own conditions and with consideration of effectiveness

Conceptual diagram of SMM Quality Standards: The relationship between ISO 9001 (2015) and the SMM Quality Standards

Development of Human Resources

To continually provide quality that satisfies customers, it is necessary for employees themselves to think and take action, so as to be able to respond to ever-changing demands and circumstances. As a component of our education activities, we are stepping up "minipro" improvement activities and small-group activities to firmly establish a culture in which employees identify and improve on-site issues independently, paving the way for organizational growth.

We are also working to improve the effectiveness of quality management systems; we have conducted training four times since 2016 to develop quality control representatives who will improve the control level of the SMM Quality Standards.

Strengthening Our Internal Quality Audits

As incidents of inappropriate quality control continue to occur, there is increasing concern over quality control within society as a whole. At all companies in the SMM Group, we performed quality audits for falsification of inspection data, and were able to confirm that at the present time there are no quality issues that would cause the loss our customers' trust.

We work to develop internal quality auditors who can find falsification of inspection data or other violations of procedure, and, in addition to strengthening internal quality audits as a function for checking quality control, will construct a framework for checking the implementation status of internal quality audits at all business sites.

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 for manufacturing. Information customers require in order to handle our products properly from safety and environmental perspectives, as well as information needed to enable them to supply final products, is basically communicated in product specifications at the time of contracting, during technical discussions and via product inspection certificates and SDS, based on prior and the latest information, proprietary knowledge and necessary studies.

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.[1]

We make sure that information utilized for the above is always appropriate through management systems, reviewing it based upon the latest technology, laws and regulations and demands from customers.

Communication with Customers

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. To that end, accurate and ample communication with customers is crucial. By keeping stakeholders in mind, we build products with quality, improving the yield of our products and contributing to resource and energy reduction efforts.

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 environmental or social harm	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
Environmental/social harm from disposal of the products	All products/services containing substances requiring management under legislation

Methods for Providing Information

Provision of Information Relating to Specifications
- We indicate product specifications requested by the customer on the order received sheet to provide necessary information to them.

Provision of Information Relating to Chemicals
- The SMM Group uses SDS, etc. to provide information on chemical substances contained in products, complying with regulations for chemical substances and usage, regarding health and safety.

Other Initiatives
- The SMM Group also engages in transactions such as the sale of different types of lubricants to 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.

An SMM Quality Standards audit (Hyuga Smelting Co., Ltd.)

Quality control representative training (Besshi district)

Issues and Targets

All employees are aligned toward the objectives and future direction, and actively take part in reaching targets, so we are able to achieve quality that customers trust completely. This requires decisions and implementation based on facts obtained through external and internal communication. To ensure this is done, we will continue to implement initiatives to effectively utilize the quality management system through various activities based on the SMM Quality Standards, including quality management education for the manager of each site.

Further, regarding product safety and information disclosure, we are providing information on substances contained in our products and materials and we will work to strengthen systems for accurate and rapid responses to customer requests.

1. We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel and zinc through substance-specific associations.

SDGs Initiatives

SMM is launching initiatives to learn about and deepen our understanding of the SDGs.

How can we contribute to a society in which no one is left behind? As we begin to formulate our Vision for 2030, the SMM Group is starting from activities to learn about and deepen our understanding of the Sustainable Development Goals (SDGs), which have the same target year.

Learning about and understanding the SDGs to formulate our Vision for 2030

In 2008, the SMM Group identified material issues that are vital to both stakeholders and to the SMM Group's business and toward which we must strengthen our initiatives. We organized these into six areas of high priority, formulated our Vision for 2020, and have been engaging in activities centered on the six subcommittees of the CSR Committee. As 2020 will be here the year after next, we are preparing to formulate a Vision for the next 10 years, with 2030 as its target, drawing on our evaluation of the degree of accomplishment, identified issues, and other aspects of Vision for 2020. The SDGs also set 2030 as their target year, and address a wide range of issues surrounding economies, societies, and the environment, with the aim of achieving a sustainable society in which no one is left behind. Viewing consideration of the SDGs as indispensable in considering the next Vision, all executives and employees of the SMM Group believe that it is important to learn about and deepen understanding of the SDGs' 17 goals and 169 targets, and the background behind their formulation.

Let's learn about and deepen our understanding of the SDGs!
(Declaration aimed at Group executives and employees)

SMM launches support for Group executives and employees learning about the SDGs!

From June 2018, we held a total of 10 "SDGs Lectures" (250 participants) at the Head Office, the Besshi-Niihama District Division in Ehime Prefecture, and the Hishikari Mine in Kagoshima Prefecture. The lectures were headed by Kaori Kuroda, Executive Director of CSO Network Japan, who was involved in the formulation of Japan's guidelines for the SDGs. For employees who were unable to attend the lectures, we made available an e-learning program created by our company (learning time: about 15 minutes), and began support for learning about the SDGs aimed at the formulation of Vision for 2030.

An SDGs Lecture (Head Office)

Our main initiatives concerning the SDGs in FY2017

Lectures on our business and CSR, and the SDGs at two symposiums

Asahi World Forum 2017
"Overcoming Divides for Our Future"
(October 3, 2017; sponsor: The Asahi Shimbun Company)

Nikkei Social Innovation Forum
"Considering Sustainable Society through the SDGs"
(November 22, 2017; sponsor: Nikkei Inc.)

Atsushi Kaikake, General Manager of Safety & Environment Control Dept. and the Executive Officer in charge of CSR, spoke at two symposiums on the topic of SDGs: the Asahi World Forum 2017 on October 3, 2017, sponsored by The Asahi Shimbun Company; and the Nikkei Social Innovation Forum on November 22, 2017, sponsored by Nikkei Inc.

The content of both talks covered SMM's history, CSR initiatives, business activities, and more, with a focus on examples of initiatives prioritized in business activities such as environmental considerations and co-existence with local communities. As an example that demonstrates SMM's concept of contributing to society by shouldering its corporate responsibilities as a member of society, the talks introduced employee education on human rights, occupational safety, and environmental preservation initiatives, such as restoration of the ruined the Besshi Copper Mine through reforestation, and the rehabilitation of tailing dams currently underway at business sites in the Philippines.

The talks also revealed how, for SMM, CSR activities are an integral component of business activities, are founded on the Sumitomo Business Spirit that has been valued throughout the company's 420-year history, and share an affinity with the SDGs.

Cooperating with a student contest for achievement of the SDGs

University SDGs ACTION! AWARDS
(March 10, 2018; sponsor: The Asahi Shimbun Company)

SMM offered special cooperation with the University SDGs ACTION! AWARDS sponsored by The Asahi Shimbun Company to support young peoples' contributions to the SDGs. This program solicits and screens ideas based on the outcomes of research and initiatives by the students, young researchers, university NPOs, student groups, and other targets of the program.

At the final screening on March 10, 2018, SMM Managing Executive Officer Hiroyuki Asai delivered a talk and presented the Sumitomo Metal Mining Award to university students who conducted a survey of urban mining businesses in Southeast Asia.

Activities and Achievements for the Six CSR Areas of High Priority

Effective Use of Resources

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
1. Develop and implement technologies to efficiently recover resources (low-grade/hard-to-process ores)			
1) Promote rational use of low-grade nickel ore (make nickel produced from low-grade ores 2/3 of nickel production overall)	• Built stockpiles according to grade near the CBNC plant (April 2017), conducted test receipt of external ores, and otherwise continued measures aimed at the efficient utilization of remaining recoverable ores	• Obtain permissions for new CBNC mining zones	• Work to extend life of existing mines, and seek understanding from authorities in the Philippines regarding permissions for new mining zones
2) Achieve profitability in our copper business by developing processing technologies for low-grade/hard-to-process ores	• Participated in a project by JOGMEC to develop technologies for reducing impurities in copper raw materials. Also commenced joint research with universities on technologies to recover fine particles, which is difficult to perform with conventional mineral processing technologies	• Examine the application of technologies for actual concentrate and process concentrated products containing impurities	• Cooperate with peers to develop technologies for reducing impurities through pyrometallurgical processing, mineral processing, bioleaching or combinations of these
3) Develop efficient gold mining technologies	• Examined the application of mining methods that are even lower-cost than current methods at the Pogo Gold Mine	• Optimize mining methods to the characteristics of each deposit and design implementation for those methods	• Bring low-cost mining technologies to maturation and expand the scope of their application
4) Participate in sea-floor resource development projects (contribute to the development of mining technologies and processing solutions)	• Continued participation in the massive sulfide deposit development and cobalt-rich ferromanganese crust (CRC) development projects by JOGMEC. Conducted conceptual design for CRC miners and basic testing for concentration processes using mineral processing technology	• Secure CRC mined tonnage and plan and implement pilot tests	• Evaluate the economic efficiency of massive sulfide deposit development and continue CRC mineral processing and smelting and refining tests
2. Develop new and effective uses for by-products			
1) Recover and market scandium from nickel oxide ore	• Completed construction of the scandium recovery plant in October 2017 and commenced test operation	• Stabilize operation of the recovery plant and cultivate new markets	• Develop production technologies for high-purity scandium
2) Recover raw material for iron and steel manufacturing from nickel oxide ore (commercialize chromite and hematite)	• Advanced preparations to build a chromite recovery plant and in December 2017 obtained internal approval for construction	• Further the design and construction of the plant according to plan	• Further the construction of equipment with the aim to complete construction by April 2020
3. Promote recycling			
Improve our effective use of recycled resources	• Continued to develop recycling processes for secondary lithium batteries. Specifications for a pilot plant were largely finalized	• Collection of secondary battery scrap and verification of the recycling processes	• Build pilot plant and start operation

Environmental Preservation

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
1. Advance biodiversity preservation initiatives			
1) Implement global warming countermeasures			
(1) Expand materials business for products contributing to a low carbon society (creating, storing, and saving energy) Achieve a 5-fold expansion of revenue (measured against FY2011) from materials for products contributing to a low carbon society	• Revenue from materials for products contributing to a low carbon society in FY2017 was 6 times that of FY2011, meeting the goal	• Accommodate expanded demand for secondary battery materials, such as for EV use	• Start up expanded production according to plan to produce additional quantities of secondary battery materials • Work to further expand sales of infrared shielding inks
(2) Reduce CO_2 emissions from operations Continue to reduce CO_2 emissions equivalent to approximately 1% per year	• Made 35 capital investments based on an internal scheme for promoting effective energy-saving and CO_2 reduction (management of capital expenditure program to reduce CO_2 by 20 kilotons by 2020), with total investment amounting to ¥362 million (based on the budget)	• Ascertain and evaluate actual reductions of CO_2 emissions for each investment project conducted in FY2017	• Be sure to implement 40 investment projects in FY2018 with a budgeted investment amount of ¥261 million
Contribute to CO_2 emission reductions by constructing a plant using HPAL, etc., which has significant energy saving advantages over other technologies such as nickel pig iron	• Conducted additional survey about HPAL plant being considered for construction in Pomalaa, Indonesia	• Confirm potential for commercialization	• Carry out a definitive feasibility study (DFS)
(3) Develop and use renewable energy to contribute to CO_2 emission reductions	• Our solar power output in Kashima City, Ibaraki Prefecture in FY2017 was 3,280 MWh (13% more than planned). CO_2 reductions came to 1,925 t. Completed construction increasing the number of panels to further increase power output (22% increase over output target)	• Further expand utilization of renewable energy	• Continue examining the introduction of renewable energy in Japan and overseas
2) Steadily develop and adopt technologies for reducing environmental impacts			
(1) Implement a planned approach for minimizing the emission of chemical substances	• Considerably reduced quantities of nickel compounds emitted into the air by Hyuga Smelting Co., Ltd., meeting the goal	• Promote the widespread investigation pertaining to the reduction of the concentration of boron in mine drainage at Hishikari Mine, including developing treatment technologies through joint research with universities and the possibility of returning the boron underground	• Continue reductions of chemical substance emissions
(2) Contribute to environmental preservation through forestation, etc.	• Carried out greening of 41 hectares at CBNC and THPAL combined • The Solomon Project vegetation rehabilitation tests were completed in the previous fiscal year with support from Sumitomo Forestry Co., Ltd., and the results collected. The collected vegetation rehabilitation guidelines and manuals were translated into English and presented to the government and local communities	• Conserve ecosystems by steadily implementing tree planting and soil fertility initiatives • The Solomon Project is completed	• Continue greening at CBNC and THPAL
(3) Verify the environmental impacts of our portfolio companies and supply chain, and implement measures to reduce risks	• Met periodically with mine owners who serve as our suppliers at CBNC and THPAL to examine measures to reduce the concentration of heavy metals in rivers	• Continue to implement measures to reduce environmental risk	• Have both CBNC and THPAL encourage suppliers to apply measures to stabilize heavy metal concentrations
2. Maintain our record of zero significant environmental accidents			
1) Improve strength against earthquake and severe weather at closed mine sites	• Completed work to improve strength against earthquakes at one sedimentation basin and one waste rock dump at closed mine sites	• Further reduce the risk of accumulation sites	• Be sure to carry out measures in line with the 3-Year Business Plan. Carry out work to improve strength against earthquakes at 2 accumulation sites at closed mine sites (All plans scheduled to be completed)
2) Prevent significant environmental accidents by strengthening environmental risk management	• Replaced the control devices at some closed mine sites. Reinforced leakage countermeasures for gas systems at smelters and refineries within and outside Japan. Replaced old utilities at materials business sites	• Implement plans and continue inspections	• Continue measures for preventing significant environmental accidents

Contribution to Society and Local Communities

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
1. Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues	● Continued activities that contribute to society such as supporting infrastructure at CBNC and THPAL ● Ran the Sumiko Energy Materials Co., Ltd.'s plant in Naraha, Fukushima Prefecture, contributing to the creation of employment in an area affected by the Great East Japan Earthquake ● Bestowed the President's CSR Award on one workplace ● Increased the number of business sites reporting the ratio of local hiring and local procurement to SMM	● Secure people desiring to be employed at Sumiko Energy Materials Co., Ltd.	● Continue to make social contributions at CBNC and THPAL ● Have each of the business sites in Japan exchange ideas and work on further enhanced social contribution activities ● Continue to receive reports of the ratio of local hiring and local procurement
2. Provide support for the improvement of educational infrastructure and the maintenance and development of academic activities, culture, tradition, and art in the countries where we do business	● Continued to provide scholarships in the areas near overseas mine development sites ● Continued to provide support for NPO Kaibigan, which helps the poor to attend school in the Philippines ● Promoting relocation of Higurashi Villa, which was built on Shisaka-island 110 years ago, in the Besshi district	● Be continually aware of the status of scholarships being awarded in the areas near overseas mine development sites	● Continue the current support for scholarships and overseas NPOs ● Continue the relocation of Higurashi Villa and maintain other Sumitomo remains in Besshi district
3. Provide support for recovery and reconstruction after large-scale disasters 1) Provide support taking into consideration the relationship between the affected area and SMM Group's business	● Made donations for areas affected by damage from the torrential rain in July 2017 in the northern part of Kyushu, Japan, and for areas affected by the typhoon in the Philippines in December 2017 ● Streamlined the management system for the Council for Promotion of Measures for Stranded Commuters around Shimbashi Station and proactively participated in drills	● Improving the precision of operational rules through drills and the like by the Council for Promotion of Measures for Stranded Commuters around Shimbashi Station	● Provide appropriate support for major disasters which occur inside or outside Japan based on the level of damage and the relationship with SMM's business operations
2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake	● Continued to provide donations to scholarship funds for orphans in the three disaster-affected prefectures (Iwate, Miyagi, and Fukushima), which we have been doing since FY2012	● Close communication with the three disaster-affected prefectures in order to understand future support needs	● Continue to provide support to earthquake orphans

Respect for People and Human Rights

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
1. A company where employees can take a vibrant and active part 1) Work satisfaction Make continual improvements based on the results of employee satisfaction surveys	● President held a briefing session sharing management information ● Held training sessions for general managers and section managers on OJT implementation and coaching ● Introduced tools supporting workplace improvement	● Effort needed to raise understanding of the current management environment ● Support employees in gaining satisfaction from their work	● Enhance methods for sharing information, such as providing management information briefings through e-learning ● Cultivate instructors from within the company to lead training on coaching, and roll out sessions for general employees ● Provide continuous support through workplace support tools (various training sessions)
2) Mental health (1) Optimize the work environment through training and the reduction of overly long working hours	● Shared the "Working Style Reform 2017 Initiative" and each workplace formulated goals and worked toward them ● Continued establishing systems that enable flexible working styles, such as expanding the times for optional staggered working hours and introducing a system for working at home	● Although average working hours for the company as a whole have decreased, improvements have yet to be seen at certain workplaces ● It is difficult to assess the effects quantitatively	● Consider and implement measures for easing the burden on workplaces and individuals that are not seeing many effects from other initiatives
(2) Reduce mental health afflictions in employees	● Proceeded with the input of entries into the personalized medical record database and followed up on entries for employees experiencing mental health difficulties	● Create a structure to prevent mental health difficulties and support individuals experiencing mental health difficulties	● Encourage health management that considers both the physical and mental health of employees and establish a support structure

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
2. Respect diversity 1) Support the active contribution of women at SMM (domestically) (1) Target number of female managers: 10 or more	● Five female managers as of March 31, 2018 ● Created a development roadmap that includes external training and exchange	● Finely tuned support that covers life events is needed	● Implement training and strive to develop candidates ● Consider and implement finely tuned support measures
(2) Target proportion of female employees in the recruitment of management track employees: 1/3	● Recruitment in FY2018 included 4 women out of 23, a ratio of about 17% (compared to about 15% in FY2017) ● Implemented initiatives including conducting various PR activities and endowed lectures, participating in Shirucafe®, and expanded recruitment for technical positions through open applications	● Although PR activities have increased interest in the company, we are not meeting our target	● In addition to creating a comfortable working environment and implementing PR activities, consider and implement measures that incorporate branding into recruitment activities to appeal to women with technical backgrounds
2) Promote non-Japanese employees as key personnel	● Considered future globalization initiatives	● A mechanism aligned with SMM business and regional businesses is needed	● Listen to the needs of each division and advance initiatives in line with these needs
3) Employ people with disabilities Establish and achieve an internal target for the number of employees with disabilities in the Group domestically	● Held seminars and formulated action plans at each business site and group company ● The employment rate for people with disabilities as of April 1, 2018 was 2.24%	● Respond to the rise in the statutory employment rate for people with disabilities ● Respond to the tightening of criteria for determining disabilities	● Implement action plans at each business site and group company and support these efforts ● Circulate information on laws and regulations and reaffirm the number of employees with disabilities
4) Establish a strategy and supportive framework as a means to facilitate initiatives 1 to 3 above	● Notified employees regarding the framework for promoting diversity ● Held diversity workshops	● Provide information on diversity	● Consider and implement measures that raise awareness of diversity, including ones using events such as Human Rights Week
3. Develop human resources 1) Continue the program for select employees after confirming the effectiveness of selective training initiatives	● The FY2017 program was steadily implemented	● Issues remain regarding scheduling and implementation methods	● Update and improve the program and continue implementation
2) Develop broad-based training to boost the level of our workforce Provide training opportunities to all employees: 100% participation in training courses	● Introduced online courses for learning languages and started considering lessons that use Skype	● The ratio of employees using online language classes and e-learning is still low	● Introduce more user-friendly language learning tools, etc., and enhance support for self-development
3) Enhance training for locally hired executive managers overseas	● Held overseas executive manager training in November 2017 (6 participants)	● There is a great need for this training course	● Continue to implement training for the executive managers at overseas business sites
4) Conduct training for further support for the active contribution of female employees	● Held interviews with general managers regarding development methods and created a roadmap that includes a training program	● Finely tuned support that covers life events needed	● Implement external training and exchange and support female employees in their development ● Consider and implement finely tuned support measures holding regular interviews
4. Human rights 1) Prevent major human rights infringements (1) Hold regular education on the SMM Group Human Rights Policy: applicable to all workplaces	● Held human rights education at all workplaces in December 2017	● It is difficult to assess the effects of the education quantitatively	● Consider and implement measures to eradicate harassment at each business site and group company
(2) Establish human rights hotlines (offering multiple means for reporting): applicable to all workplaces	● Posted a chart in the in-house bulletin showing the framework for promoting diversity	● Further instill the framework for promoting diversity	● Reorganize the framework for promoting diversity ● Continue to implement training for hotline staff
(3) Make employees aware of the SMM direct hotline: applicable to all workplaces	● Notified employees of the SMM direct hotline through internal education sessions ● Responded appropriately when incidents occurred involving human rights	● Continue to notify employees of hotline	● Continue to implement initiatives notifying employees of SMM Group hotlines through methods such as various training sessions
(4) Implement regular human rights due diligence (human rights DD) in three categories (employees, supply chain, local communities): once every 3 years	● Implemented on-site interviews at 4 companies in the supply chain and a test-run of human rights DD on the local community in the Hishikari region	● Consider direction for the next medium-term management plan period	● For employees: Conduct on-site investigations at business sites where necessary ● For local communities: Consider the direction of investigations at overseas business sites ● For the supply chain: Implement on-site interviews as planned

Occupational Health and Safety

Goals and KPIs	CY2017 Achievements	Issues and Targets	CY2018 Plans
1. Ensure safety 1) Make our final target zero occupational accidents overall 2) Reduce occupational accidents to three or fewer per year by 2020 and establish frameworks for achieving this target (Applicable to all domestic Group employees) 3) Halve the frequency rate of occupational accidents by 2020 (Applicable to all domestic and overseas Group employees) Reduce the frequency rate from 1.28 (CY2011) to 0.60 (CY2020)	**Number of injury accidents** **Japan** Employees: 4 lost time (1 fatal accident[1]);13 in total Contractors: 5 lost time; 11 in total **Overseas** Employees: 2 lost time; 10 in total Contractors: 1 lost time (fatal accident[2]); 11 in total **Frequency rate for occupational accidents in Japan and overseas:** 1.19 (Japan: 0.97, overseas: 1.68) **Status of activities in Japan** ● Awareness of safety was raised among the top management at business sites through patrols and education of newly appointed business site top management ● Made and distributed guidelines for supervisors to help increase the level of safety management ● Carried out *Anzen Dojo* and hazard simulation training in line with the circumstances at each business site ● Used the fatal accidents as an opportunity to promote measures to make facilities safer. Promoted comprehensive inspections (horizontal deployment) and promoted measures. ● Got an understanding of how risk assessment is carried out through a health and safety officer meeting **Status of activities overseas** ● Carried out safety training at Philippine business sites to increase sensitivity to danger ● Introduced individual employee hazard prediction ● Started to introduce hazard simulation training	**Japan** ● Maintain awareness of the safety-first policy among the top management at business sites ● Improve line management and foster safety culture ● Promote the use of safety staff and *Anzen Dojo* students (safety leaders) ● Develop workers by providing them with knowledge and experience so they can act cautiously, and become aware of and prevent danger, especially before dangerous situations arise ● Pick out facilities that can cause critical disasters and make them safe ● Enhance the effectiveness of risk assessments **Overseas** ● Systematically promote assistance to overseas business sites	**Japan** Implement plans that include the following items, and are suited to business sites and review the plans appropriately ● Thoroughly implement the division safety policy ● Continue patrols and education of newly appointed business site general managers ● Implement priority-oriented safety activities based on the three realities principle (real places, real facts, real things) - Improve line management with guidelines for supervisors - Promote the use of *Anzen Dojo* students with leadership by the top management - Enhance hazard simulation courses so they lead to effective hazard prediction activity - Stimulate communication both inside and outside the workplace (form a culture where employees can support each other) - Promote facility safety measures based on the 2017 general inspection - Raise the effectiveness of the risk assessment system through review ● Strengthen checks and actions in various types of activities **Overseas** ● Accelerate the promotion of the current policies ● Promote the safety activities of the Philippine business sites - Plan to introduce and promote hazard simulation
2. Provide comfortable working environments 1) Provide healthy working environments (1) Achieve zero new cases of employees with occupational disease (requiring treatment) (Applicable to all domestic and overseas Group employees) (2) Achieve zero Control Class 3 workplaces (excluding locations stipulated in guidelines, etc.) and reduce Control Class 2 workplaces (Applicable to all domestic business sites)	● No new cases of occupational disease ● Control Class 3 workplaces (figures in parentheses are FY2016 results) in FY2017 Dust 1 (3), lead 1 (0), nickel compound 8 (2), arsenic, etc. 1 (2), cobalt, etc. 10 (1), chlorine 1 (1), noise 2 (1) ● Control Class 2 workplaces (figures in parentheses are FY2016 results) in FY2017 Dust 5 (3), lead 2 (2), nickel compound 14 (4), arsenic, etc. 3 (2), cobalt, etc. 12 (5), chlorine 0 (2), noise not collected ● Modified the legally-compliant chemical substance risk assessment database to make it easier to use	● Strengthen initiatives for occupational health ● Prevent worsening of the work environment when increasing volume and establishing new operations ● Improve the method for understanding the work environment by making the status visible ● Enhance the ability to formulate concrete programs ● Use the opinions of both internal and external experts ● Prevent worsening of improved workplace environments due to deficient management ● Comply with continuing revisions of chemical substance-related laws	● Make top management of business sites strongly aware of the importance of occupational health ● Secure the work environment and make procedures before changing operation conditions and when planning new operations (facility capacity verification, etc.) ● Proceed with improving and strengthening PDCA visualization, improvement, and maintenance ● Improve the sharing of knowledge and skills, increase the number of workers with qualifications, use both internal and external experts and enhance the improvement of the work environment ● Provide thorough guidance in the three occupational health managements: work management, work environment management, and health management ● Comply with laws early, before revisions
2) Implement other working environment improvements	● Continued to carry out mental health checks and held report meetings to improve the workplace environment ● Distributed books to each business site on countering back pain and used this as an opportunity to strengthen measures against back pain	● Bring about a workplace where workers can work easily and comfortably	● Continue the guidance in making comfortable workplaces during work patrols ● Continue the collaboration with the Personnel Department: understand the status of mental checks ● Consider health management

1. A worker was caught in automatically operating equipment at Hyuga Smelting Co., Ltd.
2. Attacked by a bear

Stakeholder Communication

Goals and KPIs	FY2017 Achievements	Issues and Targets	FY2018 Plans
1. Encourage deeper mutual understanding with employees 1) Continue conducting employee awareness surveys	● The results of analysis of the employee awareness survey conducted in 2016 were reported in the in-house bulletin under "How will we use the survey results." Information was shared regarding improvements for items in which scores had fallen compared to the previous survey	● Preparations for the fourth survey to be conducted in 2019	● Share information that supports the cultivation of a free and open corporate culture through channels such as the in-house bulletin ● Consider expanding the items surveyed and scope of the 2019 employee awareness survey
2) Hold regular dialogues with workers' unions or representatives from employees	● A survey regarding the situation of regular dialogue with employees was conducted at business sites and group companies. It confirmed that effective dialogue is taking place	● The KPIs and measures to promote mutual understanding with employees are not clear	● Expand dialogue to include not only workers' unions and representatives of employees but also employees themselves and continue considering KPIs and measures that encourage mutual understanding between the company and employees
2. Encourage mutual understanding with local communities and citizen groups 1) Continue regular meetings with local communities and participate in community activities	● A survey on emergency response from the community to environmental accidents was conducted at business sites and group companies. It confirmed that frameworks are in place for maintaining necessary communication with community actors, starting with government agencies	● Verify measures required for conducting normal communications with local communities which anticipates serious industrial accidents	● Build a framework for communicating risk to local communities using the Besshi-Niihama District Division as a model
2) Carry out cooperative activities with NGOs/NPOs	● Held regularly scheduled meetings with environmental NGOs in June and November	● None	● Continue holding regular meetings with NGOs ● Encourage understanding of the company's business among NGOs, NPOs, experts, and others
3. Encourage mutual understanding with shareholders and investors 1) Publish integrated reports and improve their content	● Published the Japanese version of the SMM Integrated Report 2017 on September 29, and the English version on November 13 **Main external awards** Encouragement Award for Integrated Reporting at the fifth WICI Japan Awards Prize of Excellence at the 21st Environmental Communication Awards Selected as a "Company with excellent integrated report" and a "Company most nominated by external asset managers for a most-improved integrated report" by the GPIF (Government Pension Investment Fund)	● Listen to investors' and shareholders' opinions and reflect these in future reports, and consider ways of composing reporting materials that make SMM's creation of sustainable value easy to understand	Add and flesh out the following components in the 2018 Integrated Report with the aim of making an easier-to-understand report: ● Flesh out the description of management's approach to material issues in line with the shift to the GRI Standards ● Disclose the governance situation by including an assessment of the company's governance by the outside directors ● Include a feature section that explains the characteristics of our business model and examples of cooperation
2) Promote dialogue with investors	● Visited shareholders and those responsible for voting rights at institutional investors as part of shareholder relations (SR) activities. When major overseas shareholders visited Japan, the president himself met with them and deepened communications. ● Company rules and IR Policy were revised to include fair disclosure rules the company decided to introduce following revisions to the Financial Instruments and Exchange Act. The general manager of the Public Relations & Investor Relations Dept. was made the person responsible for information disclosure and internal briefing sessions were held ● In February 2018, the company held its first briefing session for individual investors	● With fair disclosure rules in mind, steadily promote initiatives aimed at fair, appropriate, timely, and active information disclosure and response in conformity with the rules ● Further strengthen governance and conduct appropriate information disclosure based on revisions to the Corporate Governance Code	● Continue key SR visits by top management to long-term shareholders (institutional investors) ● Strengthen unearthing of institutional investors intending to be long-term shareholders ● Continue holding briefings for individual investors ● Firmly establish the appropriate use of fair disclosure rules ● Undertake the further strengthening of governance and appropriate disclosure upon revising the Corporate Governance Code
4. Encourage mutual understanding with other stakeholders	To raise awareness of SMM and encourage understanding of our business, we carried out the following publicity activities: ● Completely renewed the company brochure, published the Japanese version in February 2018, and the English version in April ● Advertised in newspapers (Yomiuri Shimbun: a total of 8 times, twice a month; Asahi Shimbun: October 25, 2017; Nikkei: November 22, 2017), on public transport (rolling news feeds on the bullet train and digital signage: December 2017), and through radio commercials (March 2018) ● Created a 30-second video to raise awareness of the company and broadcast it through digital signage at major stations such as Tokyo Station	● Verify the effects of PR activities through the results of internal and external surveys and use in publicity activities from the next fiscal year onwards	Strengthen our capabilities to disseminate information that leads to an improvement in corporate value and appropriately gauge effects created ● Expand CSR activities in cooperation with relevant internal divisions and conduct PR regarding ESG, which is of great interest externally ● Continue to implement effective advertising activities ● Strengthen our ability to conduct PR through the media ● Expand information dissemination tools (online, improve content)