

Corporate Governance

Basic Approach

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.

SMM has established the following SMM Group Corporate Philosophy based on the Sumitomo Business Spirit.

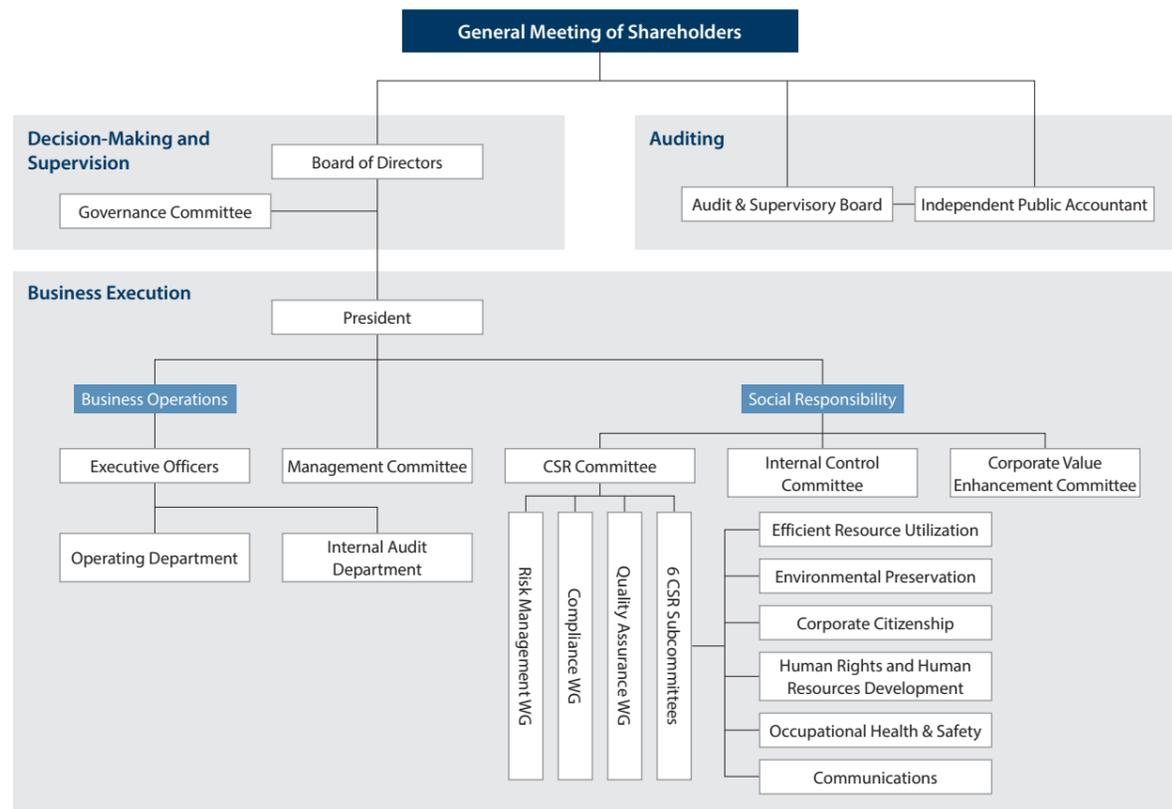
- (1) Sumitomo Metal Mining Co., Ltd. (SMM) in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities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

Through striving to enhance our corporate governance, SMM 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.

Governance Framework

SMM has adopted Audit & Supervisory Board and executive officer systems to ensure effective execution, monitoring, and supervisory functions within management. The Company is managed by three systems, namely (1) the Board of Directors, in charge of major decisions and supervision; (2) representative directors and executive officers, in charge of the execution of business; and (3) the Audit & Supervisory Board members and independent public accountant, in charge of auditing.

■ Corporate Governance Framework



Decision-Making and Business Execution Structures and System

Directors and the Board of Directors

SMM's Articles of Incorporation provide for a Board of Directors of up to ten members, each appointed for one year, and the "Chairman and Representative Director" is the Chairman of the Board. Furthermore, our policies stipulate that one-third or more of directors shall be independent outside directors. Currently, SMM has three outside directors among our eight directors. With regard to our directors being eight in number, we have determined that this is an appropriate number for ensuring agility and active discussion by the Board.

SMM works toward continuous improvement of the functions of the Board of Directors and conducts an evaluation of its effectiveness every year in order to verify whether it functions appropriately and, based on the findings, to enact appropriate measures, such as ameliorating problems.

System of Internal Memorandums for Approval and the Management Committee

The basic method for making decisions on business execution is to examine and approve such matters through the system of internal memorandums. The Management Committee holds meetings for important management matters that require deliberation, thereby conducting careful decision-making and rational business judgment based on diverse perspectives.

The Management Committee is composed of the president, senior managing executive officers, and other executive officers. The Chairman of the Board as well as the outside directors, and Audit & Supervisory Board members may attend Management Committee meetings. Among matters to be resolved by the Board of Directors and matters to be approved by the president, the Management Committee will deliberate from a broad perspective on matters determined to require deliberation and then will determine whether those matters will be referred to the Board of Directors. The Committee also fulfills the function of supporting approval granted by the president.

Executive Officer System

Substantial authority has been delegated to executive officers whose authority and responsibilities have been clearly defined to reinforce their executive function. Appointed by the Board of Directors, executive officers are entrusted with important positions (such as heading a business division, or heading a division or department at SMM's head office) and are expected to perform their duties with the specific authority assigned to each position.

Auditing System

Audit & Supervisory Board

At least half of the Audit & Supervisory Board members will be outside Audit & Supervisory Board members with a variety of expertise and diverse perspectives. Audit & Supervisory Board members from within SMM will conduct audits based on the particular characteristics of full-time members, such as by collecting information within the Company, and outside Audit & Supervisory Board members will conduct audits that make use of their areas of expertise.

In order to ensure managerial soundness and increase the corporate value of SMM, and in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board, each Audit & Supervisory Board member will attend meetings of the Board of Directors, the Management Committee, and other important meetings, receive reports and, when necessary, request explanations from directors, executive officers, and employees regarding the status of the performance of their duties, inspect important approval and other such documents, and examine the status of operations and assets at the head office and other major business sites. At meetings of the Audit & Supervisory Board, standing Audit & Supervisory Board members shall report the details of onsite audits that have been conducted solely by standing Audit & Supervisory Board members as well as of meetings that were not attended by outside members.

Collaboration between the Internal Audit Department, Independent Public Accountant and Audit & Supervisory Board Members

The Internal Audit Department regularly undertakes internal audits on the status of business execution across the SMM Group. The Department provides an explanation of its audit plans to Audit & Supervisory Board members while passing on all relevant information. At the same time, Audit & Supervisory Board members provide details of audit plans determined at meetings of the Audit & Supervisory Board to the Internal Audit Department, attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions and, when required, accompany staff of the Internal Audit Department when conducting internal audits. KPMG AZSA LLC, an independent registered public accounting firm, audits the consolidated financial statements and the effectiveness of the internal control over financial reporting. Audit & Supervisory Board members provide details of audit plans to the independent public accountant. Audit & Supervisory Board members in turn receive explanations regarding audit plans and reports on audit results from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.

Corporate Governance

Outside Directors and Outside Audit & Supervisory Board Members

At important meetings such as those of the Board of Directors, outside directors are expected to express their views from a broad perspective based on their knowledge, experience, abilities, and insight and are expected to fulfill the function of providing objective supervision from a standpoint

independent from the representative directors and the executive directors. Outside Audit & Supervisory Board members use their specialized expertise and diverse perspectives to offer supervision, provide valuable comments at Board of Directors and other meetings, and exercise oversight.

Director and Audit & Supervisory Board Member Compensation

Maximum limits on the total amounts of basic compensation for directors and compensation for Audit & Supervisory Board members will be determined by resolution of the General Meeting of Shareholders. If bonuses are paid to directors, then the total amount of bonuses to directors, excluding outside directors, will be determined in the same way.

1) Details of Procedures for Determining the Amount of Director Compensation

The president & representative director, with the authorization of the Board of Directors, will determine the amount of director compensation as outlined below.

The specific amount of basic compensation for the Chairman of the Board and each director who also serves as an executive officer will be calculated by reflecting the individual performance of the director (calculated with position-specific evaluation items such as division performance, the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved, and safety results (number of labor accidents), etc. as standards) on a base compensation amount determined in consideration of the consolidated performance of the SMM Group; the compensation amount will then be determined after receiving the advice of the Governance Committee. The specific amount of each director's bonus will be calculated by reflecting the individual performance of each director, which is calculated with the same position-specific evaluation items as the above standards, on a base bonus amount determined in consideration of the consolidated performance of the SMM

Group; the bonus amount will then be determined after receiving the advice of the Governance Committee.

However, because of the importance placed on the outside directors fulfilling a supervisory function from a standpoint independent from business execution, individual performance will not be reflected and only the base compensation amount with no bonuses will be paid to outside directors.

2) Details of Procedures for Determining the Amount of Audit & Supervisory Board Member Compensation

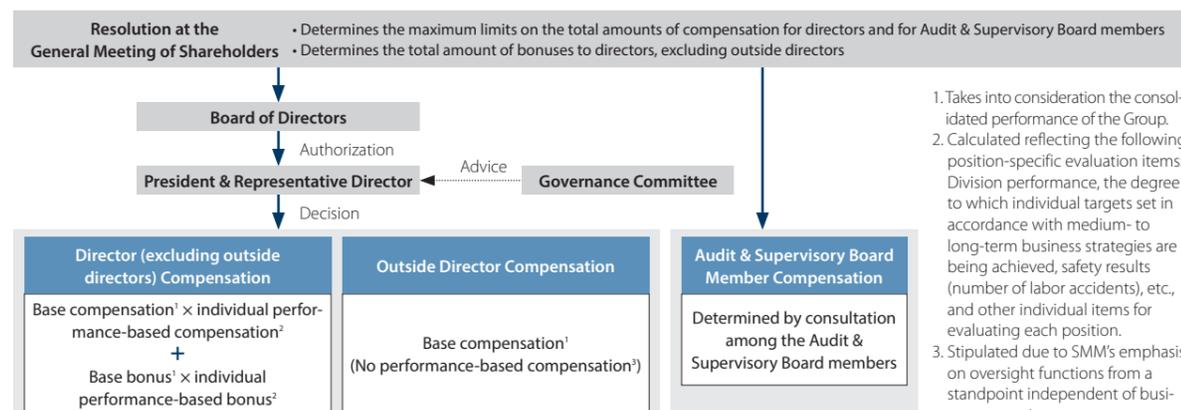
The amount of basic compensation for each individual Audit & Supervisory Board member will be determined by consultation among the Audit & Supervisory Board members at the Audit & Supervisory Board within the total compensation amount approved by the General Meeting of Shareholders.

■ FY2018 Director and Audit & Supervisory Board Member Compensation

Officer Classification	Number of Officers	Total Compensation	Total Compensation by Type	
			Basic Compensation	Bonus
Directors (excluding outside directors)	6	¥298 million	¥248 million	¥50 million
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	2	¥64 million	¥64 million	—
Outside Directors	4	¥40 million	¥40 million	—
Outside Audit & Supervisory Board Members	2	¥23 million	¥23 million	—

Note: In addition to the aforementioned, an employee salary portion totaling ¥6 million was paid to one person who serves concurrently as a director and executive officer.

■ Procedures for Determining the Amount of Compensation for Directors and Audit & Supervisory Board Members



Takeover Defense Measures

SMM has renewed our Countermeasures to Large-Scale Acquisitions of Sumitomo Metal Mining Co., Ltd. Shares (takeover defense measures) through partial revisions which received approval at the 94th Ordinary General Meeting of Shareholders held in June 2019. The effective period for the renewed measures is three years, up to the conclusion of the 97th Ordinary General Meeting of Shareholders to be held in June 2022.

The takeover defense measures have been introduced with the aim of deterring large-scale acquisition that have the potential to harm corporate value and the common interests of shareholders, and in the event of a large-scale acquisition of the Company's shares, enabling the SMM Board of Directors to offer an alternative proposal to shareholders or ensure that shareholders have the information and time required to decide whether to accept said large-scale acquisition.

The takeover defense measures set out procedures that acquirers must adhere to in advance and include require-

ments for acquirers to furnish information. Under the Japanese legal system, a party making an acquisition proposal does not have a duty to furnish information. Having takeover defense measures in place guarantees that a party making an acquisition proposal will furnish information and allows shareholders to compare statements by the acquirer and SMM management before deciding which course of action is preferable.

In cases in which the acquirer fails to follow the stipulated procedures, or if the large-scale acquisition of the Company's shares meets certain conditions stipulated in advance and approval is gained through a general meeting of the Company's shareholders, the gratis allotment of Stock Acquisition Rights will be exercised and the ratio of voting rights in the Company held by the acquirer will be diluted. Exercise of this measure requires the decision by an Independent Committee comprised of outside directors (independent officers), etc. in order to guarantee fairness and objectivity.

Formulating Corporate Governance Guidelines

SMM has established Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework, including our relationship with stakeholders.

WEB Corporate Governance Guidelines

WEB Corporate Governance Report

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

■ Outside Directors and Outside Audit & Supervisory Board Members

	Reason for Appointment	Attendance at Meetings
Outside Director Hitoshi Taimatsu	In light of his specialized knowledge as a researcher in materials engineering specializing in metals and his organizational management experience at his university, he was appointed as an outside director to continue fulfilling his role in strengthening corporate governance.	In FY2018, the Board of Directors convened 18 times (12 regular meetings and 6 extraordinary sessions). He attended all meetings.
Outside Director Kazuhisa Nakano	He offers a wealth of knowledge and experience in company management and natural resources business and was appointed as an outside director to continue fulfilling his role in strengthening corporate governance.	In FY2018, the Board of Directors convened 18 times (12 regular meetings and 6 extraordinary sessions). He attended 17 meetings (12 regular meetings and 5 extraordinary sessions).
Outside Director Taeko Ishii	Based on her specialist knowledge and wealth of experience as a lawyer, she was appointed as an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.	In FY2018, the Board of Directors convened 13 times since she joined (9 regular meetings and 4 extraordinary sessions). She attended 12 meetings (8 regular meetings and 4 extraordinary sessions).
Outside Audit & Supervisory Board Member Junichi Kondo	He was appointed as an outside Audit & Supervisory Board member in order to exercise oversight that leverages his wealth of financial institution experience.	In FY2018, the Board of Directors convened 18 times (12 regular meetings and 6 extraordinary sessions), and the Audit & Supervisory Board convened 16 times. He attended all meetings of both.
Outside Audit & Supervisory Board Member Yuichi Yamada	He was appointed an outside Audit & Supervisory Board member in order to exercise oversight that leverages his auditing experience accumulated over many years at audit firms as well as his extensive knowledge of accounting.	In FY2018, the Board of Directors convened 18 times (12 regular meetings and 6 extraordinary sessions), and the Audit & Supervisory Board convened 16 times. He attended all meetings of both.

Corporate Governance

Initiatives to Strengthen Governance at SMM

SMM positions corporate governance as one of the most important issues in our management, and is taking steps to strengthen governance.

In FY2016, we conducted discussions on what our Board of Directors should ideally be, and shared this understanding within the Board. We also convened an Outside Directors Council meeting as a venue for exchanging ideas among out-

side directors and outside Audit & Supervisory Board members.

To achieve even better corporate governance going forward, we will appropriately review our corporate governance framework in accordance with revisions to laws, changes in social conditions, and other external factors.

■ Transitions in Governance at SMM

	2000	2001	2003	2004	2006	2007	2011	2012	2015	2016	2017	2018	2019			
Board of Directors																
Number of Members	14	6	7	6	7			8								
Outside							C	1	D	2	G	3	L			
Audit & Supervisory Board																
Number of Members			4					3 (2011.11-2012.6)			4					
Outside							2									
Executive officers		A														
Other						B				E	F	H	I	J	K	M

June 2001	Introduction of the executive officer system ^A Introduced the executive officer system with the aim of separating decision-making and supervisory functions in management, and revised the management system with the aim of further enhancing and strengthening the functions of each of these.
February 2007	Introduction of takeover defense measures ^B Introduced countermeasures to large-scale acquisitions of the Company's shares (takeover defense measures).
June 2007	Appointment of an outside director ^C Appointed one outside director in order to strengthen corporate governance through objective management decisions by an independent, external director. Shortened the term of directors from two years to one year to clarify management responsibilities.
June 2015	Board of Directors composition changed to include two outside directors ^D
November 2015	Establishment of a Governance Committee and evaluation of the effectiveness of the Board of Directors ^E Established a Governance Committee, which is not based on legal direction or necessity, for the purpose of obtaining objective advice from the Chairman of the Board and outside directors, who are not executive officers. Started analyzing and evaluating the effectiveness of the Board of Directors in FY2015.
February 2016	Establishment of Corporate Governance Guidelines ^F Established the SMM Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework.
June 2016	Board of Directors composition changed to include three outside directors ^G Appointed three outside directors in order to have one third or more of the directors in the Board of Directors be outside directors.
August 2016	Outside Directors Council meeting held ^H Started convening Outside Directors Council meetings as a venue for discussion attended only by outside directors and outside Audit & Supervisory Board members, providing an opportunity for outside directors and outside Audit & Supervisory Board members to exchange information and share understanding.
December 2016	Discussion of what the Board of Directors should ideally be ^I The Board deliberated what SMM's Board should ideally be, reaffirming that the Board make a point of making decisions.
February 2017	Evaluation of the effectiveness of the Board of Directors ^J After discussions on the effectiveness evaluation, the following initiatives were implemented. • On April 1, 2017, standards for putting items on the agenda for the Board of Directors meetings were revised and the number of agenda and reporting items was reduced, especially those that are formalities. • Site visits by outside directors were strengthened and systemized.
February 2018	Evaluation of the effectiveness of the Board of Directors ^K After discussions on the effectiveness evaluation, decided to establish opportunities to discuss management issues and policies at Board of Directors meetings twice a year from FY2018.
June 2018	Appointment of a female director ^L Appointed the Company's first female director (outside).
February 2019	Evaluation of the effectiveness of the Board of Directors ^M

Evaluation of the Effectiveness of the Board of Directors

According to the Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange, Inc., the effectiveness of the entire board of directors should be analyzed and evaluated and a summary of those results should be disclosed. Referring to each director's self-evalua-

tion is a large pillar of this evaluation of the effectiveness of the board of directors. Also, the same is stipulated in SMM's Corporate Governance Guidelines, and the Board has been carrying out evaluations of itself, regarding appropriate decision-making and supervisory functions, since FY2015.

Overview of the Evaluation of Effectiveness

For the analysis and evaluation of the effectiveness of the Board of Directors, the Board carries out a questionnaire targeting the directors and Audit and Supervisory Board members every year. To make sure the responses are not seen by administrative staff, the responses are sent to an external law office, where the results are analyzed. The questionnaire cov-

ers mainly the supervisory function of the Board of Directors, its size, composition, and overall operation, training of the directors, the provision of information such as the site visits by outside directors, and self-evaluations. The Board analyzes and evaluates the effectiveness of itself based on external evaluation by the law office.

■ The Process of Evaluating the Effectiveness of the Board of Directors



FY2018 Evaluation Results and Initiatives Going Forward

The response on the FY2018 self-evaluations done by each director was that overall, initiatives are being undertaken at an acceptable level. The Company's Board of Directors compared this to what the Board of Directors should ideally be, which was discussed in FY2016, and confirmed that there were no major issues with their effectiveness, and that they are demonstrating their supervisory function through decision-making. Regarding the revision of various reporting items to secure time for more in-depth deliberations that was undertaken based on the FY2016 and FY2017 evaluations of effectiveness of the Board of Directors, it was evaluated as being appropriately improved. Also, regarding opportunities to discuss management issues and policies, discussions concerning policy for drawing up the 3-Year Business Plan and

the necessity of takeover defense measures were discussed at Board of Directors meetings, and discussions were also held regarding separate projects. Furthermore, in the survey, many respondents answered that the overall operation of the Board of Directors enabled serious and dynamic deliberation that provided sufficient opportunities to speak, showing proceedings are being managed appropriately. In FY2018, with a view to enabling in-depth deliberation regarding important management items at Board of Directors meetings, discussions were held to consider way monthly business reports are handled and further narrow down the agenda, and it was confirmed that improvements are ongoing. Going forward, we will strive to continually improve the effectiveness of the Board of Directors.

Round-Table Discussion by Outside Directors

There is fast-growing interest in corporate governance, following the enactment of the Corporate Governance Code and Stewardship Code in Japan. SMM has appointed three outside directors among its eight directors. We recently held a round-table discussion among the outside directors to talk about the nature of SMM as a company and the sort of role that the Board of Directors should play.

What Sort of Company is SMM?

Taimatsu As someone who held a position within a university, nurturing students and sending them out into the world, I place importance on the company being a place where students can spend their entire career after joining the working world. A company's stance toward its employees has commonalities with its stance toward the regions in which it is active. While co-existing with communities in the conduct of our business and overcoming issues, our company has built up a history of over 420 years. It seems to me that our stance of not only pursuing profit but also developing together with communities is what has sustained our growth for so long.

Nakano Within this history, our company has always had an awareness among top management and employees alike that our business is in the service of society. The concepts that are generally known as "governance" developed during our long history. The wish to not only pursue profit but also contribute to society has been continuously handed down in our DNA.

Ishii The thought that we mustn't do anything to shame that history is, I feel, the backbone of our company. I've worked for many years as an attorney, but today, when people are looking closely at not only compliance but also integrity (an honest managerial stance), our stance is a point on which I can feel reassured as an outside director.

SMM's Business and Role in Society

Nakano I was earlier engaged in oil exploration work. In oil, just as in non-ferrous metals, reserves of resources become depleted as production takes place. Ongoing development of the business requires the addition of new interests. This is the most important and difficult job for resource companies, but our company has built up knowledge and high technological capabilities based on our long history.

When I earlier toured the company's nickel refinery in the Philippines, I talked with top management and with local employees. The need to continue incorporating contribution to society in our business, rather than putting increased profits first, is an idea that we share even with local employees. This is a rare thing.

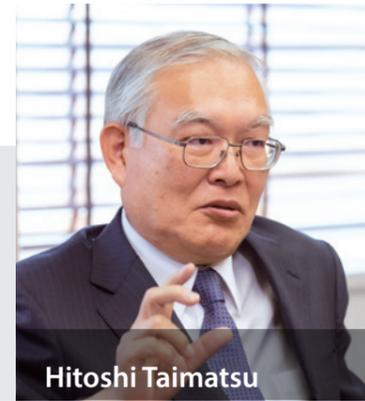
Taimatsu I also tour workplaces at times, and sometimes am welcomed by former students. For someone involved in education, seeing former students in action is a source of happiness. People work for a company for a long time because they have pride in it, and I think this company is one in which employees can have pride. I hope they understand that in addition to copper, gold, and nickel, we produce rare metals and rare earth that can be recovered from smelting and refining processes, and that as a supplier of non-ferrous metals, we support industry not only in Japan but throughout the world.

Ishii Diversity management is also an important role of companies. We're in an age in which companies cannot maintain further growth and activity if they do not incorporate the perspectives of women as a part of their business strategies. During training for female employees in June, I spoke about career formation for women. Serving as a director for this past year, I see the company's support for promoting activities by women, balancing home life and work, as considerably generous. The company has managed working hours from the perspectives of safety and health considerations, and is making a smooth transition on the path to working style reform.

The Role of the Board of Directors

Nakano The evaluation of projects differs with the technological prowess of a company, and whether it can develop mines across a variety of environments. On the Board of Directors are technology experts such as Director Taimatsu, and company managers such as myself, that bring a different perspective from engineers to reducing risks, such as "we should analyze that area in a more circumspect manner" or "an approach from this perspective seems insufficient."

Taimatsu I believe it is incumbent on me as a director to provide a final technical evaluation and a perspective on operational human resources while taking a monitoring position like that of a general member of society. This is the approach I value.



Hitoshi Taimatsu

Mr. Taimatsu is a specialist in materials engineering and has held various positions at Akita University: professor in the Mining College and the Faculty of Engineering and Resource Science, the director of the university's Radioisotope Research Center, and the vice dean of the Graduate School of Engineering and Resource Science. In FY2016, he was presented with the Award for Distinguished Achievements in Research by the Japan Society of Powder and Powder Metallurgy. He has served as an outside director at SMM since 2015.



Kazuhisa Nakano

Mr. Nakano has been involved in company management for a long time, having previously served as both president and chairman of Idemitsu Kosan Co., Ltd. As the domestic market was becoming mature during his time at Idemitsu, he swiftly steered the company toward overseas development, promoting a growth strategy that included decisions such as investment in an oil refinery project in Vietnam. He has served as an outside director at SMM since 2016.



Taeko Ishii

Ms. Ishii was registered as a lawyer in 1986. She is a member of the Dai-ichi Tokyo Bar Association. She is particularly knowledgeable about legal practice concerning relationships between labor and management. Published works include "Legal Practices for Handling Problem Employees," and "A Q&A on Practice Relating to Equality Law, Childcare and Caregiver Leave Law, and Part-time Worker Law." She has served as an outside director at SMM since 2018.

Ishii It's my impression that outside directors speak up a lot on the Board of Directors. For supervisory functions, the balance is very good. What surprised me during my first year as a director is that discussions look tens of years into the future. For management I had the view that due to severe competition out there no one knows how things will be even next year, but in the case of mines, I woke up to the fact that discussions have to look tens of years ahead. I feel that making this understood by investors must be a difficult area.

Nakano I think of the shareholders of our company as supporters, to borrow a term from soccer. "SMM contributes to society through its business, and that's the kind of company we like and want to support"—that's the sort of relationship in which I'd like supporters to see us. I'll carry out the role demanded of me as an outside director by shareholders, so I can meet the expectations of our supporters.

The Most Important Thing for SMM's Future

Ishii To maintain vitality into the future, all companies, not just ours, must consider what to do about human resources. The current approach of some companies is to buyout an entire company with technologies and people, rather than search for people through job referrals. I think the time will come when we, too, may have to do the same.

Nakano In the collaboration among three businesses that is our unique business model, the human resources demanded in the field of each business differ, especially in terms of skills. Accordingly, to achieve the goals of our 3-Year Business Plans, how to recruit and develop those human resources has become an issue. If we don't address this, we cannot continue with our model. This is also a matter that we are discussing in the Board of Directors.

Taimatsu In discussions in the Board of Directors, the importance of human resources, and approach human resources development, come up with every project. This is true for any company, but in our company in particular, the human resources needed are expected to undergo rapid changes in the materials business sector. As the materials sector transitions to advanced functional materials used in applications such as the IoT, there will likely be matters that we cannot address through the human resources in the materials sector of the past, and I think this will present great difficulties for managerial decision-making as well. Also, looking at things from the standpoint of those involved in education, I think it's going to become increasingly difficult to secure human resources who have studied smelting and refining and mineral resources in Japan. How to develop experts within the company is going to become a vital matter.

Directors and Audit & Supervisory Board Members (As of July 1, 2019)



Directors

1 Yoshiaki Nakazato

Number of shares of the Company owned¹: 21,800

Chairman and Representative Director

Born: 1953
Apr. 1976 Joined the Company
Dec. 1997 General Manager of Administration Dept., Electronics Div.
Jun. 2004 General Manager of Corporate Planning Dept.
Jun. 2005 Executive Officer
Jun. 2006 Director
Jun. 2007 General Manager of Affiliated Business Administration Dept.
Jun. 2008 Managing Executive Officer
Oct. 2008 General Manager of Semiconductor Materials Div.

Jun. 2009 Executive Officer
General Manager of Advanced Materials Div.
Jun. 2010 Managing Executive Officer
Jun. 2012 Representative Director
Senior Managing Executive Officer
Jun. 2013 President and Representative Director
Jun. 2018 Chairman and Representative Director (Present Position)

3 Hiroyuki Asai

Number of shares of the Company owned¹: 7,500

Director, Senior Managing Executive Officer, General Manager of Corporate Planning Dept.

Born: 1958
Apr. 1980 Joined the Company
Oct. 2008 General Manager of Ome District Div., Advanced Materials Div.
Jun. 2011 General Manager of Personnel Dept.
Jun. 2012 Executive Officer
Oct. 2015 General Manager of Human Resources Development Dept.
Jun. 2016 General Manager of Public Relations & Investor Relations Dept.
Jun. 2017 Managing Executive Officer
Jun. 2018 Director (Present Position)
General Manager of Corporate Planning Dept. (Present Position)
Jun. 2019 Senior Managing Executive Officer (Present Position)

4 Hiroshi Asahi

Number of shares of the Company owned¹: 5,800

Director, Managing Executive Officer, General Manager of Mineral Resources Div.

Born: 1958
Apr. 1982 Joined the Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)
Apr. 2008 Director for Technology Affairs of the Ministry of Economy, Trade and Industry
Mar. 2010 Deputy Director-General for Energy and Environment of the Ministry of Economy, Trade and Industry
Jul. 2012 Director-General for Technology Policy Coordination of the Ministry of Economy, Trade and Industry
Jun. 2013 Left the Ministry of Economy, Trade and Industry
Oct. 2013 Joined the Company
Engineering Dept., Mineral Resources Div.
Jun. 2014 Executive Officer
Senior Deputy General Manager of Mineral Resources Div.
Jun. 2017 Director (Present Position)
General Manager of Mineral Resources Div. (Present Position)
Jun. 2018 Managing Executive Officer (Present Position)

6 Hitoshi Taimatsu

Number of shares of the Company owned¹: 0

Outside Director

Born: 1951
Apr. 1994 Professor of the Mining College of Akita University
Apr. 1998 Professor of the Faculty of Engineering and Resource Science of Akita University
Apr. 2006 Director of the Radioisotope Research Center of Akita University
Apr. 2008 Member of the Education and Research Council of Akita University
Vice Dean of the Faculty of Engineering and Resource Science of Akita University
Apr. 2010 Professor of the Graduate School of Engineering and Resource Science of Akita University
Vice Dean of the Graduate School of Engineering and Resource Science of Akita University
Jun. 2015 Director of the Company (Present Position)
Apr. 2016 Professor of the Graduate School of Engineering Science of Akita University
Apr. 2017 Visiting Professor of Akita University
Mar. 2019 Retired from Visiting Professor of Akita University

7 Kazuhisa Nakano

Number of shares of the Company owned¹: 2,500

Outside Director

Born: 1948
Apr. 1971 Joined Idemitsu Kosan Co., Ltd.
Apr. 2003 Executive Officer and General Manager of Personnel Department of Idemitsu Kosan Co., Ltd.
Jun. 2004 Director of Idemitsu Kosan Co., Ltd.
Jun. 2005 Managing Director of Idemitsu Kosan Co., Ltd.
Jun. 2007 Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd.
Jun. 2009 President and Representative Director of Idemitsu Kosan Co., Ltd.
Jun. 2013 Chairman and Representative Director of Idemitsu Kosan Co., Ltd.
Jun. 2015 Executive Advisor of Idemitsu Kosan Co., Ltd.
Jun. 2016 Director of the Company (Present Position)
Jun. 2017 Retired from Executive Advisor of Idemitsu Kosan Co., Ltd.

2 Akira Nozaki

Number of shares of the Company owned¹: 8,900

President and Representative Director

Born: 1960
Apr. 1984 Joined the Company
Jul. 2010 Corporate Planning Dept.
May 2012 Administration Dept., Sierra Gorda Project Dept.
Jun. 2013 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.
Jun. 2014 Director
General Manager of Corporate Planning Dept.
Jun. 2015 General Manager of Non-Ferrous Metals Div.
Jun. 2016 Managing Executive Officer
Jun. 2018 President and Representative Director (Present Position)

5 Nobuhiro Matsumoto

Number of shares of the Company owned¹: 2,600

Director, Executive Officer, General Manager of Non-Ferrous Metals Div.

Born: 1963
Apr. 1987 Joined the Company
Apr. 2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.
Jun. 2014 General Manager of Administration Dept., Non-Ferrous Metals Div.
Jun. 2016 Executive Officer (Present Position)
Senior Deputy General Manager of Non-Ferrous Metals Div.
Jun. 2018 General Manager of Non-Ferrous Metals Div. (Present Position)
Jun. 2019 Director (Present Position)

8 Taeko Ishii

Number of shares of the Company owned¹: 0

Outside Director

Born: 1956
Apr. 1986 Registered as a lawyer
Joined Ryoichi Wada Law Firm
Mar. 1992 Established Ohta & Ishii Law Firm
Jun. 2018 Director of the Company (Present Position)

1. The number of shares of the Company owned is as of May 31, 2019.



Audit & Supervisory Board Members

1 Kazushi Ino

Senior Audit & Supervisory Board Member (Standing)

Born: 1959
Apr. 1982 Joined the Company
Dec. 2010 General Manager of Administration Dept., Advanced Materials Div.
Jun. 2012 General Manager of Legal & General Affairs Dept.
Jun. 2014 Executive Officer
Senior Deputy General Manager of Materials Div.
Jun. 2017 Senior Audit & Supervisory Board Member (Standing) (Present Position)

2 Yasuyuki Nakayama

Audit & Supervisory Board Member (Standing)

Born: 1959
Apr. 1982 Joined the Company
Jun. 2001 Finance & Accounting Dept.
Apr. 2012 General Manager of Administration Dept., Semiconductor Materials Div.
Jul. 2012 General Manager of Semiconductor Materials Business Unit, Materials Div.
Oct. 2014 President and Representative Director of Shinko Co., Ltd.
Jun. 2016 Audit & Supervisory Board Member (Standing) (Present Position)

3 Junichi Kondo

Outside Audit & Supervisory Board Member

Born: 1950
Apr. 1973 Joined Export-Import Bank of Japan
Apr. 1999 Director of General, Administration and General Services Department of Export-Import Bank of Japan
Oct. 1999 Director of Corporate Finance Department of Japan Bank for International Cooperation (JBIC) (which was formed as a result of integration between the former Export-Import Bank of Japan and the former Overseas Economic Cooperation Fund)
Apr. 2001 Director of Personnel Department of JBIC
Nov. 2002 Executive Director of JBIC
Oct. 2003 Resident Executive Director, Osaka Branch of JBIC
Oct. 2005 Senior Executive Director of JBIC
Sep. 2007 Resigned from Senior Executive Director of JBIC
Jan. 2008 Corporate Advisor of Tokyo Electric Power Company, Incorporated
Feb. 2012 Corporate Advisor of ITOCHU Corporation
Jan. 2015 President and Representative Director of Japan Institute for Overseas Investment
Jun. 2016 Audit & Supervisory Board Member of the Company (Present Position)

4 Yuichi Yamada

Outside Audit & Supervisory Board Member

Born: 1954
Mar. 1988 Registered as a certified public accountant
Aug. 2003 Partner of ASAHU & Co. (current KPMG AZSA LLC)
Jun. 2008 Board Member of KPMG AZSA & Co. (current KPMG AZSA LLC)
Jun. 2016 Left KPMG AZSA LLC
Jul. 2016 Established Yuichi Yamada Certified Public Accountant Firm
Jun. 2017 Audit & Supervisory Board Member of the Company (Present Position)



Executive Officers

An asterisk indicates the officer is also serving concurrently as a director

President

* Akira Nozaki

Senior Managing Executive Officer

* Hiroyuki Asai

General Manager of Corporate Planning Dept., in charge of Personnel Dept., Legal Dept.

Managing Executive Officers

Masahiro Morimoto

General Manager of Finance & Accounting Dept., in charge of Secretarial Dept., Internal Audit Dept., Purchasing Dept., Information System Dept.

* Hiroshi Asahi

General Manager of Mineral Resources Div.

Atsushi Idegami

General Manager of Technology Div.

Executive Officers

Shuichi Yasukawa

General Manager of CSR Dept., in charge of General Affairs Dept., Human Resources Development Dept., Public Relations & Investor Relations Dept.

Fumio Mizuno

General Manager of Engineering Div.

Atsushi Kaikake

General Manager of Safety & Environment Control Dept., in charge of Quality Assurance Dept.

* Nobuhiro Matsumoto

General Manager of Non-Ferrous Metals Div.

Fumikazu Oshita

General Manager of Advanced Materials Div.

Isao Abe

General Manager of Battery Materials Div.

Toru Higo

Senior Deputy General Manager of Non-Ferrous Metals Div., in charge of Osaka Branch

Takahiro Kanayama

General Manager of Besshi-Niihama District Div.

Ryoichi Sato

Senior Deputy General Manager of Mineral Resources Div.

Kazunori Takizawa

Senior Deputy General Manager of Battery Materials Div.

Hiroshi Yoshida

Senior Deputy General Manager of Non-Ferrous Metals Div.

Masaru Tani

Senior Deputy General Manager of Mineral Resources Div.

Hitofumi Okubo

Senior Deputy General Manager of Engineering Div.

Kouji Sakamoto

Senior Deputy General Manager of Battery Materials Div.

Shuichi Ogasawara

Senior Deputy General Manager of Technology Div.

Sustainability at the SMM Group Management Approach

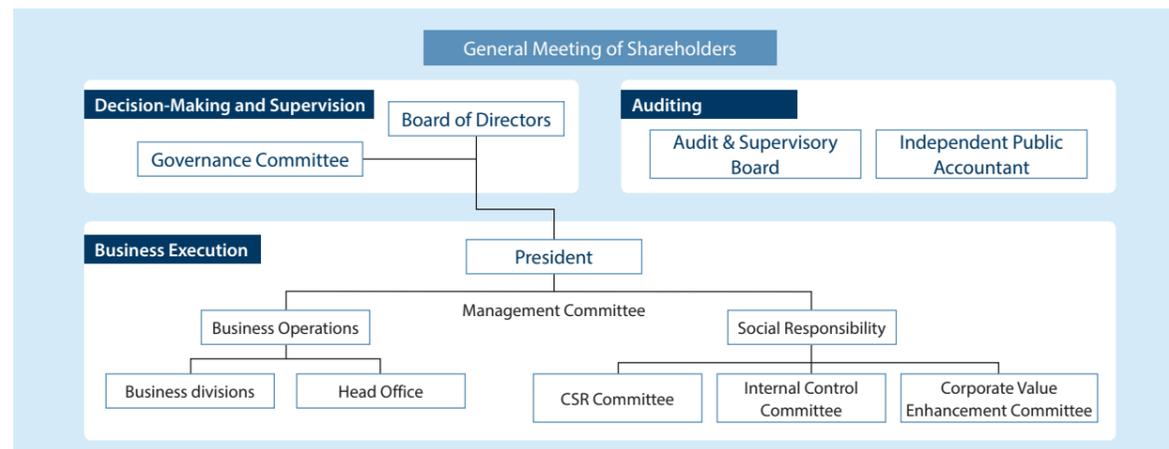
Our Approach to Business and Sustainability

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. 1, 22, and 23 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 ever-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 & 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 pro-

duction. 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

CSR Committee

Working primarily through our CSR Committee to carry out our corporate social responsibility, we conduct deliberations on the CSR policy, CSR areas of high priority and proposals to modify the Vision for 2020. We also deliberate and decide on indicators for evaluating our progress towards the Vision for 2020 and important matters regarding CSR activities such as those in our annual CSR activity plans. Other activities include regular evaluations and the launch of corrective measures concerning CSR activities, as well as providing, sharing, explaining (especially important policy measures) and raising knowledge of information concerning our work on CSR activities. Deliberations on major issues concerning CSR activities are ongoing. 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.

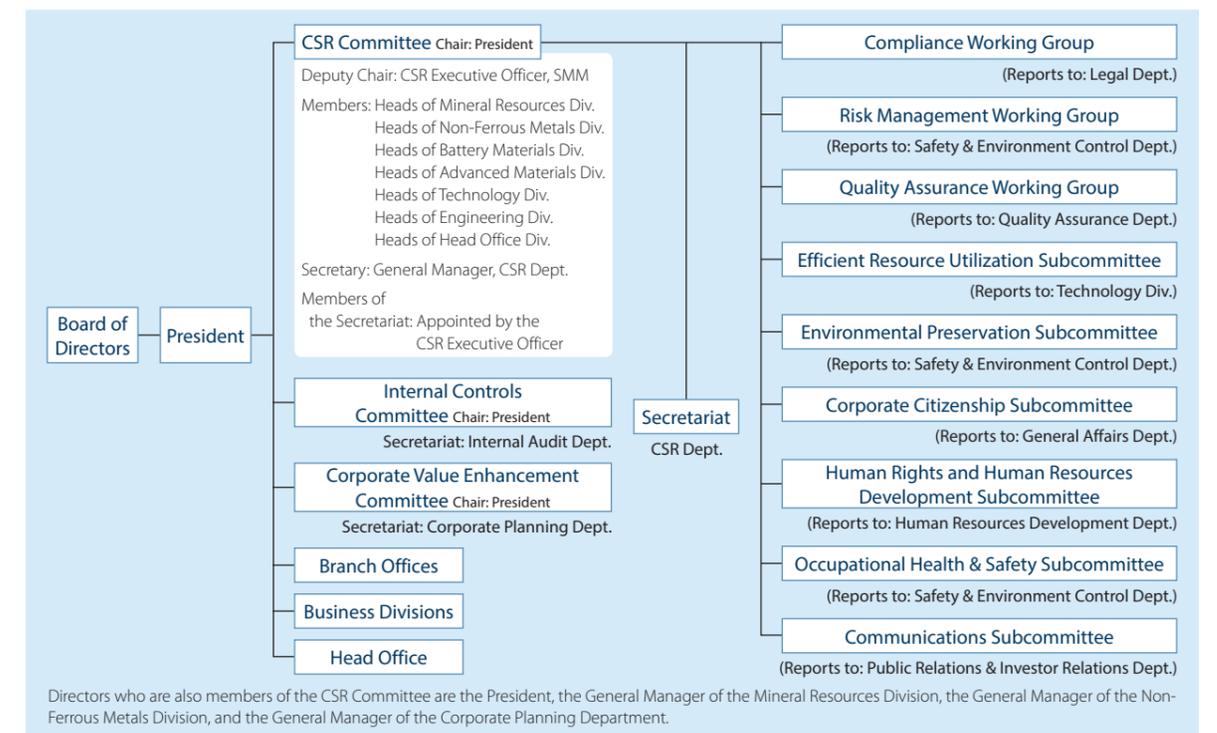
group, and are working to strengthen initiatives through the Internal Control Committee.

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.

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.

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 CSR Dept. as secretariat.

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.



Directors who are also members of the CSR Committee are the President, the General Manager of the Mineral Resources Division, the General Manager of the Non-Ferrous Metals Division, and the General Manager of the Corporate Planning Department.

Our Approach to Reducing Environmental Impact

Reducing the Environmental Impact of Constructing New Plants

Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) in the Philippines produce electrolytic nickel intermediates. To construct a refinery in the Philippines, we first had to obtain an Environmental Compliance Certificate (ECC) from the Department of Environment and Natural Resources (DENR). This required submitting an Environmental Impact Assessment (EIA).

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

CBNC began operations of the refinery in April 2005 based on a design certified by the DENR, and was followed by THPAL in October 2013. The refineries have set up Environmental Management Offices (EMO) as bodies to promote environmental initiatives in operations. Besides environmental surveys by the EMO, the environment is monitored by

a team of representatives from organizations such as the DENR, local authorities and NGOs which carry out regular sampling of the air, water, flora and fauna. With this sort of environmental monitoring, we check that the construction and operation of plants do not have serious impacts on the ecosystem, while keeping environmental impacts from wastewater and other factors to a minimum.



Coral transplanting by CBNC

Tackling Global Warming Through the Supply of Materials

The SMM Group sees supplying manufacturers in Japan and overseas with specialty materials to support the functions of products with a low environmental impact to be one of its contributions to a more sustainable society. By focusing on energy-related materials, the SMM Group is expanding its business in domains related to the creating, storing, and saving of energy.

In the energy creation domain, we provide nickel oxide powder, which is used in the electrodes of solid oxide fuel cells (SOFC). Fuel cells are clean and highly efficient power generation systems that convert hydrogen and oxygen into electricity and heat, and their use is expected to grow as plans to promote them are being formulated in countries all over the world.

In the energy storage domain, we are contributing to the realization of a mobile society with low environmental impact

by engaging in the supply of high-quality nickel-containing materials for cathodes used in the batteries required by electric-powered vehicles, such as EV and hybrid vehicles. In the auto industry, initiatives to suppress greenhouse gas emissions are being promoted globally, and demand for these kinds of vehicles is growing greatly as a result.

In the energy saving domain, we are manufacturing functional inks, such as cesium tungsten oxide (CWO) to block infrared rays. Films with these inks are applied to glass, or included in an interlayer film or directly in polycarbonates, to block the near-infrared rays contained in sunlight, therefore greatly reducing temperature increases. Currently, these are being widely used in vehicle windows, building windows, and semi-transparent roofs when design or allowing daylight in is an important consideration, and are making a significant contribution to energy efficiency.

Activities and Achievements for the Six CSR Areas of High Priority

Effective Use of Resources

Vision for 2020: A company that generates resources using innovative technology

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 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)	<ul style="list-style-type: none"> Continued to perform processing tests on external ores and advanced the blending of those ores with existing ones and the optimization of processing conditions at CBNC. Conducted dry stacking tests for reducing the volume of tailing at THPAL. 	<ul style="list-style-type: none"> Obtain permissions for new CBNC mining zones 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Engaged in the "development of a process for the separation of high arsenic containing ore and the treatment of high arsenic containing copper ore suitable for actual copper ore," one of the programs under the "development of reduction technologies for impurities in copper raw materials" national project by JOGMEC, as part of a consortium of 3 non-ferrous metals companies. 	<ul style="list-style-type: none"> Examine the application of technologies for actual concentrate and process concentrated products containing impurities 	<ul style="list-style-type: none"> Cooperate with other non-ferrous metals companies to continue developing technologies for reducing impurities through pyrometallurgical processing, mineral processing, bioleaching or combinations of these
3) Develop efficient gold mining technologies	<ul style="list-style-type: none"> Continued to examine the application of mining methods that are even lower-cost than current methods at the Pogo Gold Mine, and proposed improved mining methods 	<ul style="list-style-type: none"> This theme concluded in September 2018 with the sale of the Pogo Gold Mine 	
4) Participate in sea-floor resource development projects (contribute to the development of mining technologies and processing solutions)	<ul style="list-style-type: none"> Continued participation in the massive sulfide deposit development and cobalt-rich ferromanganese crust (CRC) development projects by JOGMEC. Conducted overall evaluation and additional verification for the pilot test of excavating and ore lifting from sea-floor massive sulfide deposits. Advanced the development of metal recovery technologies through concentration processes, smelting and refining for CRC 	<ul style="list-style-type: none"> Optimize overall system for excavating and ore lifting from sea-floor massive sulfide deposits. Verify mineral processing and smelting and refining processes for CRC 	<ul style="list-style-type: none"> Prepare a sea-floor topographic map and analyze topography with an excavation system in mind for sea-floor massive sulfide deposits Continue developing mineral processing and smelting and refining processes for CRC
2. Develop new and effective uses for by-products			
1) Recover and market scandium from nickel oxide ore	<ul style="list-style-type: none"> Commenced commercial production at scandium recovery plant in January 2019 in spite of delays caused by equipment trouble 	<ul style="list-style-type: none"> Achieve target production volume and cultivate new markets 	<ul style="list-style-type: none"> Improve equipment in order to reach target capacity Develop processes for cultivating new markets
2) Recover raw material for iron and steel manufacturing from nickel oxide ore (commercialize chromite and hematite)	<ul style="list-style-type: none"> Proceeded with detailed design of chromite recovery plant and selection of building contractors with the aim of completing the plant by the end of April 2020 	<ul style="list-style-type: none"> Stabilize operation of the recovery plant and cultivate new markets 	<ul style="list-style-type: none"> Further the construction of equipment with the aim of commencing operation according to plan
3. Promote recycling			
Improve our effective use of recycled resources	<ul style="list-style-type: none"> Continued to develop recycling processes for secondary lithium batteries. Established pilot plant and commenced operation there in March 2019 	<ul style="list-style-type: none"> Demonstrate process at pilot plant and make decision to build actual units 	<ul style="list-style-type: none"> Verify the feasibility of process through operation of pilot plant and continue with design of actual units

Activities and Achievements for the Six CSR Areas of High Priority

■ Environmental Preservation

Vision for 2020: A company that uses advanced technologies to reduce environmental burden and contributes to preserving the global environment

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 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	• Sold 11 times more battery material and 9 times more products contributing to a low-carbon society in FY2018 compared to FY2011, surpassing the FY2020 goals, and continuing to grow	• Accommodate expanded demand for rechargeable battery materials	• Start up expanded production of battery materials this fiscal year according to plan
② Reduce CO ₂ emissions from operations Continue to reduce CO ₂ emissions equivalent to approximately 1% per year 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	• Made a total of ¥347 million in investments for 46 energy-saving improvements in FY2018. These improvements were effective in reducing CO ₂ emissions/year by 2,978 t-CO ₂ , resulting in a total reduction of 18,212 t-CO ₂ /year when combined with previous improvements • Started a Definitive Feasibility Study (DFS) for the HPAL plant being considered for construction in Pomalaa, Indonesia	• Invest the planned annual amounts for CO ₂ emission reductions every year, without fail • Minimize additional GHG emissions	• Continue energy-saving initiatives based on the current fiscal year investment plan to reach the 2020 reduction target of 20,000 t of CO ₂ /year. • Complete DFS by the end of FY2019
③ Utilize positively renewable energy to contribute to CO ₂ emission reductions	• Installed additional panels at our Kashima Solar Power Plant in March 2018, resulting in a total capacity of 3.78 million kWh for FY2018. Storage batteries, remote monitoring, and AI failure diagnostic systems were introduced on the solar panel reinforcement sections, and we are accumulating operation management knowledge with these new technologies. • Considered solar power generation to consume in-house for 3 locations inside and outside Japan. A solar power generation system was installed at one of these, the Hishikari Mine. A binary power generation system that uses the heat from hot spring water was also considered	• Investment profitability is low for the assumed in-house solar power system • The hot spring water temperature is not high enough to generate binary power at this stage	• Confirm the usefulness of accumulated operation management knowledge, storage batteries, remote monitoring, and AI failure diagnostic systems at the Kashima Solar Power Plant. • Continue to consider introduction of an in-house solar power generation system. • Continue to consider introduction of an in-house hot spring water heat binary power generation system.
2) Steadily develop and adopt technologies for reducing environmental impacts			
① Implement a planned approach for reducing the emission of chemical substances	• Reduced emissions of dichloromethane into the atmosphere at the Ome District Division • Considering a processing method to reduce boron in the hot spring water from Hishikari Mine	• Maintain effectiveness of recovery equipment • Establish an effective processing method	• Strengthen management of recovery equipment and conduct preventive maintenance • Consider a feasible method to fix water-soluble boron
② Promote to environmental preservation through forestation, etc.	• Carried out greening of 2 hectares at CBNC	• Conserve ecosystems with initiatives to plant trees and fertilize soil	• Continue greening at CBNC and THPAL
③ Verify the environmental impacts in our portfolio companies and supply chain companies, and implement measures to reduce risks	• Held periodic meetings between our 2 companies in the Philippines and mine owners who serve as our suppliers to examine measures to improve water quality of rivers particularly during the rainy season	• Continue to implement measures to reduce environmental risk	• Hold periodic meetings between our 2 companies in the Philippines and mine owners who serve as our suppliers in the Philippines to continue improving river water quality
2. Maintain our record of zero significant environmental accidents			
1) Improve strength against earthquake and severe weather at closed mine sites			
	• Completed construction to improve strength against earthquakes and weather at 2 accumulation sites at closed mines as planned. Completed all planned construction that began in FY2014 at accumulation sites at closed mines.	• Maintain the current status of accumulation sites at closed mines going forward through daily monitoring	• Continue monitoring
2) Prevent significant environmental accidents by strengthening environmental risk management			
	• Renewed old utilities at closed mines	• Carry out construction according to plan	• Continue identifying risks and implementing countermeasures

■ Contribution to Society and Local Communities

Vision for 2020: A company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 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 • Continued aiding with necessary social contributions at each site in Japan through dialogue with local authorities • Bestowed 2 President's CSR Awards • Worked on enhancing data tabulation for the ratio of local hiring and local procurement at main business sites	• Need to accurately identify expectations through dialogue with local authorities at each site in Japan	• Continue to make social contributions at CBNC and THPAL • Continue to exchange ideas with each of the business sites in Japan and work on further enhanced social contribution activities with roots in the community • Build a framework so that each individual employee can engage in social contribution activities • Continue to receive reports on the status 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 in the Philippines attend school • Relocated the Higurashi Villa from Shisaka Island to Hoshigoe, Niihama, and opened it to the general public as the Higurashi Villa Memorial Museum	• Be continually aware of the status of scholarships being awarded in the areas near overseas mine development sites	• Continue support for current scholarships and overseas NPOs • Consider establishing a scholarship system for business sites in Japan
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			
	• Provided donations to support those affected in the Heavy Rain Event of July 2018 and the 2018 Hokkaido Eastern Ibari Earthquake • Streamlined the management system for the Council for Promotion of Measures for Stranded Commuters around Shimbashi Station and proactively participated in drills		• Provide support when there are major disasters inside or outside Japan based on the level of damage and the relationship with SMM Group business operations • Continue to engage in drills, coordinating with Minato-ku and the council member companies
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	• Identify future support needs through dialogue with local communities	• Continue to provide support to earthquake orphans (until all orphans reach 20 years of age in 2031)

Activities and Achievements for the Six CSR Areas of High Priority

Respect for People and Human Rights

Vision for 2020: A company where diverse human resources exercise their ability sufficiently and take a vibrant and active part in each field

A company that works with its stakeholders to strive for a society that actively respects human rights

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 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	<ul style="list-style-type: none"> The president held two management information briefings, then made arrangements to further share information at informal workplace discussions Held coaching and facilitation skills training at workplaces that requested such sessions, with the goal of ensuring smoother communication and more efficient meetings at the company 	<ul style="list-style-type: none"> Effort needed to raise the understanding of employees regarding the current business conditions Support a framework for revitalizing the organization through OJT (on-the-job training) that makes use of coaching Support employees in gaining satisfaction from their work 	<ul style="list-style-type: none"> Continue holding management information briefings, and aim to increase the number of employees listening to the meetings by making it possible to listen via the internet and e-learning, and promote understanding of the management situation among employees Cultivate instructors from within the company and aim to roll out to regular employees to assist with better communication
2) Mental health			
① Optimize the work environment through training and the reduction of overly long working hours	<ul style="list-style-type: none"> Understand the work situation by using the monthly working hour data for individual employees, then make improvements to tasks and allocate more employees as necessary 	<ul style="list-style-type: none"> Continue monitoring the work situation and engage in efforts to reduce long working hours Implement initiatives to reduce total actual working hours in line with the work style at each location 	<ul style="list-style-type: none"> Consider and implement measures to ease the burden on specific workplaces and individuals that are not seeing reductions in long working hours Make efforts to increase the rate of paid annual leave taken at the Head Office
② Reduce mental health afflictions in employees	<ul style="list-style-type: none"> Conducted mental health checks and built a support network using outside organizations Allocated personnel and conducted training based on the results of individual interviews 	<ul style="list-style-type: none"> Use the data from individual interviews to strengthen support for individuals. 	<ul style="list-style-type: none"> Continue using mental health checks and the support system Consider introducing Health and Productivity Management
2. Respect diversity			
1) Female employees promoted at SMM (domestically)			
① Target number of female managers: 10 or more	<ul style="list-style-type: none"> 9 female managers as of the end of March 2019 	<ul style="list-style-type: none"> Finely tuned support that can handle life events such as marriage and childbirth 	<ul style="list-style-type: none"> Conduct training for career and life planning for management track employees
② Target proportion of female employees in the recruitment of management track employees: 1/3	<ul style="list-style-type: none"> Recruitment in FY2019 included 4 female employees out of 35, for a ratio of about 11% Offered female internships and had female employees conduct recruiting interviews to appeal to female students 	<ul style="list-style-type: none"> Arouse interest in the company among female students while strengthening branding to see how much interest can be created among students 	<ul style="list-style-type: none"> Consider and implement activities to appeal to female students, such as continuing female internships, strengthening branding, and visiting colleges and universities
2) Promote non-Japanese employees as key personnel	<ul style="list-style-type: none"> Made good use of overseas employees at each business site and division 	<ul style="list-style-type: none"> Deal with changes to the business strategy 	<ul style="list-style-type: none"> Further consider the ideal globalization we should aim for as a company
3) Employ people with disabilities Establish and achieve an internal target for the number of employees with disabilities in the Group domestically	<ul style="list-style-type: none"> The employment rate for people with disabilities as of April 1, 2019 was 2.33% Engaged in efforts to raise the employment rate of people with disabilities based on action plans at each business site and group company Introduced UDTalk, a communication app, in the Head Office district as a way to support people with hearing impairments. Enhanced sign language classes 	<ul style="list-style-type: none"> Maintain and improve planned employment of people with disabilities 	<ul style="list-style-type: none"> Implement and support action plans established at each business site and group company to promote employment of people with disabilities
4) Establish a strategy and supportive framework as a means to facilitate initiatives 1 to 3 above	<ul style="list-style-type: none"> Provided human rights-related training through a diversity and inclusion workshop (3 times) and training for hotline (Speak Up System) staff 	<ul style="list-style-type: none"> Enhance provision of diversity and inclusion related information 	<ul style="list-style-type: none"> Enhance internal bulletin board

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 Plans
3. Develop human resources			
1) Continue the program for select employees after confirming the effectiveness of selective training initiatives	<ul style="list-style-type: none"> Implemented the new program which began the previous year and was based on previous evaluations 	<ul style="list-style-type: none"> Improve training content, incorporating points of evaluation and proposals from participating trainees 	<ul style="list-style-type: none"> Continue selective training and dispatching employees to outside training Improve the content of the selective training
2) Develop broad-based training to boost the level of our workforce Provide training opportunities to all employees: 100% participation in training courses	<ul style="list-style-type: none"> Improved course convenience by incorporating online courses in foreign languages Made courses easier to take by making e-learning available on tablets and smartphones Considered enhancement of correspondence education content based on questionnaires from users 	<ul style="list-style-type: none"> Aim to increase the number of course takers 	<ul style="list-style-type: none"> Aim to increase the number of users by updating e-learning content Expand support for self-development by reviewing the correspondence education system and enhancing content
3) Enhance training for locally hired executive managers overseas	<ul style="list-style-type: none"> Held overseas executive manager training in October 2018 (5 participants) 	<ul style="list-style-type: none"> Promote understanding of the Sumitomo Business Spirit, history, and corporate culture 	<ul style="list-style-type: none"> Continue to implement training for the executive managers at overseas business sites
4) Conduct training to promote further support for female employees	<ul style="list-style-type: none"> Five management track female employees were dispatched for training and exchange with women in different industries. Through training and interacting with management track female employees from other companies they worked to build their own career plans Explained the system to those on maternity leave and childcare leave, and conducted follow-ups during leave 	<ul style="list-style-type: none"> Finely tuned support that covers life events needed 	<ul style="list-style-type: none"> Continue implementing external training and exchange and support female employees in their development Consider and implement finely tuned support measures holding regular individual interviews
4. Human rights			
Prevent major human rights infringements			
① Hold regular education on the SMM Group Human Rights Policy: applicable to all workplaces	<ul style="list-style-type: none"> Held human rights education at all workplaces in December 2018 	<ul style="list-style-type: none"> It is difficult to assess the effects of the education quantitatively 	<ul style="list-style-type: none"> Consider and implement measures to eradicate harassment and conduct human rights education at each business site and group company
② Establish human rights hotline (Speak Up System) (offering multiple means for reporting): applicable to all workplaces	<ul style="list-style-type: none"> Conducted training for human rights and harassment hotline (Speak Up System) staff 	<ul style="list-style-type: none"> Review the framework for promoting diversity and inclusion 	<ul style="list-style-type: none"> Continue training for human rights and harassment hotline (Speak Up System) staff
③ Make employees aware of the SMM direct hotline (Speak Up System): applicable to all workplaces	<ul style="list-style-type: none"> Notified employees of the SMM Group direct hotline (Speak Up System) through SMM Group Code of Conduct training. Responded appropriately when incidents occurred involving human rights 	<ul style="list-style-type: none"> Make the hotline (Speak Up System) easier to use 	<ul style="list-style-type: none"> Continue various training to notify employees of the SMM Group hotline (Speak Up System)
④ Implement regular human rights due diligence (human rights DD) in three categories (employees, supply chain, local communities): once every 3 years	<ul style="list-style-type: none"> Held on-site interviews at 4 companies in the supply chain. Also worked with local companies in proceeding to consider implementing surveys of local communities in the Philippines 	<ul style="list-style-type: none"> Conduct due diligence surveys in line with local circumstances 	<ul style="list-style-type: none"> For employees: verify the results of the employment environment survey For local communities: conduct a survey in the Philippines For supply chain: conduct interviews as planned

Activities and Achievements for the Six CSR Areas of High Priority

Occupational Health and Safety

Vision for 2020: A company that accords safety the highest priority and provides comfortable working environments

Goals and KPIs	CY2018 Achievements	Issues and Targets	CY2019 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 (CY2018) Japan Employees: 9 lost time; 23 in total (Reference—Contractors: 6 lost time; 9 in total) Overseas Employees: 2 lost time; 5 in total (Reference—Contractors: 1 lost time; 6 in total) Note: Pogo Gold Mine was excluded from this data from October, 2018 Frequency rate for occupational accidents in Japan and overseas (CY2018): 1.70 (Japan: 1.71, overseas: 1.61) Status of activities in Japan • Measures in response to equipment identified in the 2017 comprehensive safety checks generally proceeded according to plan. Checks performed to confirm nothing was overlooked during these safety checks • Strengthened line management through instructions from divisions and the development and use of guidelines for supervisors • Improved hazard simulation leading to more thorough safety rules at business sites • Provided instruction and support for initiatives at business sites through various patrols Status of activities overseas (CY2018) • Currently installing hazard simulation equipment at a Philippine business site. Due to start operation in 2019 • Continued effective application of individual employee hazard prediction activities • Provided instruction for initiatives at business sites through divisional patrols	Japan • Ensure all employees are prioritizing safety from top management down • Implement priority-oriented, intrinsically safe facility measures in a planned manner • Improve the effectiveness of risk assessments • Clarify and comply with safety rules for each business site • Continuously raise hazard awareness through hazard simulations, small group discussions, etc. • Ensure all employees are carrying out appropriate actions at appropriate locations through line management Overseas • Raise hazard awareness and safety awareness levels • Implement safety training tailored to business sites	Japan Advance measures focused on the key points of preventing critical disasters and communication with employees • Continue safety instruction through patrols and the education of newly appointed business site top management • Establish written safety rules at workplaces and ensure compliance with these rules and education on the reasoning behind them • Continue identifying risk through risk assessments and revising assessment methods • Teach supervisory skills, including work observation, in order to strengthen line management • Support the above activities by raising hazard awareness among all employees through hazard simulation, small group discussions, etc. Overseas Raise hazard awareness in Philippine business sites. • Install hazard simulation equipment and implement hazard simulation training • Create training materials that incorporate business site rules based on the content of <i>Anzen Dojo</i> and utilize these to educate
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 FY2017 results) in FY2018 Total: 3 (22) Dust 0 (1), lead 0 (1), nickel compound 0 (8), arsenic, etc. 2 (1), chlorine 0 (1), cobalt, etc. 0 (10), methanol 1 (0) • Control Class 2 workplaces (figures in parentheses are FY2017 results) in FY2018 Total: 34 (36) Dust 6 (5), lead 0 (2), nickel compound 18 (14), arsenic, etc. 0 (3), chlorine 1 (0), cobalt, etc. 9 (12) Status of activities in Japan • Departments and business sites came together to move work environment improvements forward (realization of effective investment) • Strengthen progress management of improvement plans by Safety & Environment Control Center of the Besshi-Niihama District Division • Provided on-site support through occupational health patrols by the Safety & Environment Control Dept.	Maintain improved work environments, eliminate the remaining number of Control Class 3 workplaces, and systematically reduce the number of Control Class 2 workplaces • Prevent worsening of the work environment when increasing volume and establishing new operations • Ensure improvements based on visualization of the work environment • Enhance abilities and technology for improving work environments	• Establish rules for maintaining work environments during changes such as the establishment of new operations • Continue strengthening PDCA such as visualization, improvement, and maintenance • Gather and implement expertise related to technology for improving work environments, including encouragement to gain qualifications and the use of both internal and external experts • Provide on-site support through occupational health patrols by the Safety & Environment Control Dept.
2) Implement other working environment improvements	Achievements (FY2018) • Continued to carry out mental health checks and held report meetings to improve the workplace environment	• Bring about open-minded workplaces where workers can work easily and comfortably	• Create an atmosphere and spaces within workplaces where workers can speak openly and honestly

Stakeholder Communication

Vision for 2020: A company that works to communicate transparently with all worldwide stakeholders to deepen mutual understanding

Goals and KPIs	FY2018 Achievements	Issues and Targets	FY2019 Plans
1. Encourage deeper mutual understanding with employees 1) Continue conducting employee awareness surveys 2) Hold regular dialogues with workers' unions or representatives from employees	• Gathered assessments and points for improvements from employees regarding each topic of the in-house bulletin, contributing to the fostering of an open and vibrant organizational climate • Added survey items such as compliance and survey business sites to employee awareness surveys and implemented a survey in February 2019	• Continue to verify the merits and demerits of the frequency and timing of employee awareness surveys	• Report to management at SMM and group companies on the results of the employee awareness survey and discuss a response through workshops • Reconsider how to implement the in-house bulletin as an internal communication tool that contributes to the rebuilding of an open and vibrant organizational climate
2. Encourage mutual understanding with local communities and citizen groups 1) Continue regular meetings with local communities and participate in community activities 2) Carry out cooperative activities with NGOs/NPOs	• Held training on risk communication for the Besshi-Niihama District Division and Administration Department of each division • Held regularly scheduled meetings with environmental NGOs in June and November • Invited Keiichi Omoto, emeritus professor of anthropology at the University of Tokyo, and indigenous leaders from the Taganito region of the Philippines to Head Office for discussions	• Continue to provide required support for Besshi-Niihama District Division initiatives • None	• Support the creation of a framework for risk communication with the local community in the Besshi district to make it a model case study • Continue to hold dialogue with environmental NGOs • Encourage understanding of the SMM Group's business among NGOs, NPOs, experts in both Japan and overseas, and others
3. Encourage mutual understanding with shareholders and investors 1) Publish integrated reports and improve their content 2) Promote dialogue with investors	Japanese printed edition was issued on September 28 and English version was posted on the website on November 1 • Updated from GRI 4.1 to cover GRI Standard • Content changed to reflect enhanced explanation of strengths and strategy based on business collaboration, information on our management approach, etc. • Continuously 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 Government Pension Investment Fund (GPIF) since 2017 • In March 2019, following the announcement of the 2018 3-Year Business Plan, briefing sessions for individual investors were held three times, including in regional areas, and these involved lively Q&A sessions • As a continuous SR (shareholder relations) initiative, visits and dialogue were carried out with major shareholders and institutional investors in both Japan and overseas, promoting further understanding of the SMM Group's business	• Further improve the level of information disclosure	• Further clarify our competitive edge and use branding techniques to showcase the unique appeal of the SMM Group in the FY2019 report. • Increase the number of briefing sessions for individual investors to be held and enhance the content of briefing materials with individual investors in mind • Create regular, prioritized opportunities for top management to have dialogue with long-term shareholders
4. Encourage mutual understanding with other stakeholders	• Collaborated with business sites and employees to implement the following activities: created and distributed T-shirts with logos in cooperation with relevant internal divisions; implemented business training for Japanese school teachers (Ome); sponsored the Minato City Half Marathon; sponsored the University SDGs ACTION! AWARDS; purchased naming rights in Ome • Active PR Held lectures for reporters and worked to strengthen our ability to reach various media. • Enhanced information dissemination tools aimed at the internet, various exhibitions, etc.	• Need a strategic roadmap to raise awareness and a favorable image of SMM	• Advance events in collaboration with relevant internal divisions, business sites and employees, and region-specific PR activities • Advance active PR activities through the media • Organize a recruitment framework, select advertising media with the aim of raising awareness of SMM, and implement effective publicity and advertising

Identification of Material Issues for the SMM Group

Material Issues for the SMM Group

SMM Group'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, local communities, creditors, business partners, civil society organiza-

tions, 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.

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. 18 and 19).

In our sustainability strategies, we identified 26 material issues (see p. 25) in 2015 based on SMM Group'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

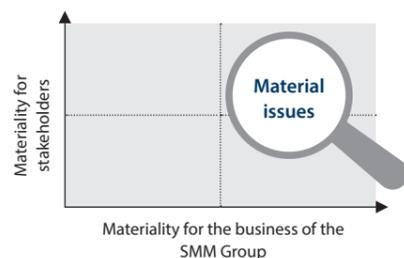
As sustainability issues, we identified a variety of issues that positively or negatively impact the formation of a sustainable society. In doing so, we focused on the guidelines on the right, resulting in the identification of 102 issues. We further consolidated the issues according to their shared 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.



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. 91–97) 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. 14 and 15 for the Group's scope).

SMM Group & Suppliers

Topic: **Environmental** Emissions (Material issue 8)

Topic: **Environmental** Effluents and Waste (Material issue 8)

Topic: **Human Rights** 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 FY2018 performance, issues, and FY2019 plans, see the sections on our thinking and our performance on p. 91 and later.

Occupational Health and Safety

Policy and Framework

Realizing safe, comfortable work environments where employees can carry out their work with peace of mind is a crucial managerial factor leading to greater relationships of trust between employees and the company and higher employee motivation. Also, it can create positive effects, such as enhancing recruitment and employee retention rates and reducing turnover. The SMM Group's CSR Policy states, "According to safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents," and we are advancing initiatives that will foster a culture of safety in line with this.

With the president as the person responsible for occupational health and safety, we are building a line management framework in which the general manager of each business site is appointed health and safety manager of that site, operating under the guidance and supervision of the general managers of the relevant divisions. Constructive discussions on ways to improve health and safety in the workplace also take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management. Furthermore, the executive officer responsible for the Safety & Environment Control Department tackles occupational health and safety by providing guidance and advice to each department and each of the Group's business sites, as well as coordinating efficiently with the health and safety officer assigned to each division and business site in order to improve health and safety.

Occupational Health and Safety Management

In order to prevent accidents and illness caused by unsafe circumstances and behavior at business sites, we are advancing occupational health and safety measures based on the concept of hierarchy of controls.¹

In Japan, we are building an occupational health and safety management framework as stipulated by the Japanese Industrial Safety and Health Act, and are formulating policies, targets, and plans. We are also implementing a one-year PDCA cycle and each level of the company is working to reduce risk in accordance with their role. The business division with jurisdiction and the Safety & Environment Control Department are implementing internal audits at all business sites, patrolling each one, and we are advancing activities based on the Ministry of Health, Labour and Welfare's Occupational Safety and Health Management Systems (OSHMS) guidelines. We also have business sites that have received OSHMS certification through the Japan Industrial Safety and Health Association (JISHA) accreditation method and OHSAS 18001 certification.

At overseas business sites, we are building an occupational health and safety management framework based on local laws and regulations and are implementing initiatives including activities to ensure hazard prediction, risk assessment, and the improvement of equipment are at the same level as in Japan.

1. Hierarchy of controls: An approach for lowering risk to acceptable levels through prioritization as follows – Elimination of source of risk → Substitution of source of risk → Engineering controls → Administrative controls → Personal protective equipment
Source: The US National Institute for Occupational Safety and Health (NIOSH)

Initiatives for Achieving Policy and Targets

Group-Wide Activities

In FY2018, we implemented the following initiatives in order to ensure safety.

Japan

- 1 Improved efforts at business sites to provide instruction and support through patrols by individual divisions, the Besshi-Niihama District Division, and the Safety & Environment Control Dept.
- 2 Strengthened line management through instructions from divisions and the development and use of guidelines for supervisors created by the Safety & Environment Control Dept.
- 3 Started hazard simulation training at Oji-kan, the SMM Group's practical training facility, to raise awareness regarding compliance with safety rules at business sites.
- 4 Advanced and reconfirmed measures for preventing employees getting caught in equipment and other issues identified through 2017's comprehensive safety checks and implemented additional measures.

Overseas

- 1 Improved initiatives at business sites to provide instruction through patrols by individual divisions, etc.
- 2 Continued the effective application of initiatives such as 10-second hazard prediction activities and activities to reduce risk through work observations and the like.
- 3 Enhanced safety training at Philippine business sites
 - Created and used training materials based on incident case studies.
 - Continued to bring 15 employees a year to Japan for hazard simulation training.
 - Prepared to introduce hazard simulation equipment at business sites and decided on a selection of simulations.

The following occupational health activities were implemented:

- 1 Promoted activities to reduce exposure to nickel and cobalt dust and the like, led by divisions together with business sites (implemented effective investment in areas such as installing booths, improving powder filling methods, strengthening dust collection capabilities, and reinforcing sealing).
- 2 Encouraged improvements by providing on-site instruction and support from the Safety & Environment Control Dept., Besshi-Niihama District Division, and others.

Initiatives at Individual Sites

Safety Activities at Philippine Business Sites

At Coral Bay Nickel Corporation (CBNC), we are actively advancing 10-second hazard prediction activities. In addition to existing safety instruction, which is centered around a top-down approach, we are enhancing awareness to ensure that each worker protects their own safety. Specifically, we are advancing activities in which they consider potential hazards for 10 seconds by asking themselves "Is there anything dangerous about the work I'm about to do?" before starting work. Additionally, at Taganito HPAL Nickel Corporation (THPAL), we are focusing on identifying and producing countermeasures for potential risk through onsite work observation. Furthermore, at both business sites we are promoting 3S (putting in order [seiri], keeping in order [seiton], and keeping clean [seisou]). As a result, the cleanliness and 3S of these two business sites are now at the same level as business sites in Japan.

At both CBNC and THPAL, the number of accidents among contractors is high compared to SMM employees, so raising the level of safety management is an important issue. We are working to raise safety awareness and improve behavior through initiatives such as implementing the safety training we have been giving employees, such as 10-second hazard prediction activities and safety expertise tests (which test mindsets and knowledge, etc.), at contractor companies.

Furthermore, in advance of the introduction of hazard simulation training, our Philippine staff have led the process of deciding a selection of hazard simulations.

Safety Initiatives at Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.'s Mie Plant (BC Mie)

At BC Mie, we are tackling the key points of raising hazard awareness, making equipment safer, and facilitating heart-to-heart communication.

In regard to our main campaigns, in 2014-15 we established the name "Let's Change, Mie!" and formed a dedicated safety committee to ensure thorough compliance with 3S and safety rules. We also implemented initiatives such as identifying hazard sources and creating and deploying guidelines for equipment safety.

In 2016-17 we adopted the theme of "thoroughly ensuring the separation of vehicles and pedestrians" and worked to reduce the risk of humans coming into contact with heavy machinery. This involved establishing safety barriers in line with specific situations, including to prevent heavy machinery from encroaching onto walkways and preventing collisions at building entrances and exits, as well as implementing initiatives that ensured heavy machinery operators were aware of the presence of other workers such as installing rotating red lights and making sheet shutters in warehouses transparent.

In 2017-18, we established a Committee for Realizing an Ideal Workplace and worked to identify and improve hazard sources that "supervisors may not be aware of but site workers are." We secured a budget and implemented necessary responses to risk information sharing cards promptly, and by doing this we removed the feeling that "although employees speak up, no action is taken," thereby building a culture of honest communication throughout the business site.

Work Environment (Occupational Health) Improvement Initiatives at the Isoura Plant

At the Isoura Plant, increases in battery materials production since FY2017 have been accompanied by a significant increase in the volumes of various powders that need to be dealt with, and a change to packaging methods has increased the amount of packing into flexible containers, which generated more dust. These factors have led to a deterioration in the work environment. At the end of FY2017, the material input and packing operations were diagnosed as Control Class 3 workplaces (improvements required) and we focused on implementing the following counter measures.

- Packaging processes: The openings for putting materials into flexible containers were made smaller, controlling the amount of dust released and we strengthened powder collection abilities.
 - Other processes: For processes such as those that could not sufficiently exhaust dust nor those for which it was difficult to prevent dust leaking through openings, within previous methods, against dust volume increases, booths were installed and powder collection capabilities were made more appropriate in accordance with the specific situation for each operation.
 - We strengthened progress management being carried out by various committees. On-site instruction was provided by Head Office, the Besshi-Niihama District Division, and others.
- As a result, as of the end of FY2018 the number of Control Class 3 workplaces is zero and the work environment has greatly improved. Although there are still some Control Class 2 workplaces (improvement efforts should be made), we will utilize past examples of improvements, adjust dust collection pipework, and ensure thorough cleanliness among other initiatives with the aim of realizing an even better work environment.

As shown above, we have been advancing initiatives that are unique to the characteristics of each site, but in March 2019, a fatal accident occurred at the Toyo Smelter & Refinery involving a fall from a high place. To ensure that this kind of accident will not and cannot happen again, we are working to thoroughly identifying risks that could potentially lead to serious accidents, including for non-routine work, and taking countermeasures against these. We are also putting an even greater focus on initiatives that ensure work is carried out following safe procedures.

Compliance

Policy and Framework

Compliance is the foundation of corporate activities. The SMM Group goes beyond just complying with laws, regulations, Articles of Incorporation, and its own rules, and works to fulfill the moral and social responsibilities demanded of it as a member of society through corporate activities.

The president is the person responsible for compliance initiatives and he appoints an executive to be in charge. All compliance violations that the Group is aware of are reported to the Board of Directors, which monitors and ensures that the compliance framework is functioning properly.

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

Initiatives to Take on Issues and Provide Improvements

The Compliance WG was convened in FY2018, confirming the following.

- The results of checking FY2018 compliance status show that we received a severe warning from the supervising authorities regarding the failure to immediately report the loss of electrical blasting caps at Hishikari Mine in Kagoshima Prefecture. We will take all necessary measures to prevent such a reoccurrence and ensure strict mining safety. Other than this, there were no serious legal or regulatory violations, including Antimonopoly Act, regarding the environment, products, service, or marketing.
- The SMM Group's compliance requires ethics-based conduct and decision-making that go beyond abidance of 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 established the following company regulations.

Company Regulations Concerning Compliance

- Regulations on insider trading prevention and information management
- Regulations on the safeguarding of personal information
- Export administration regulations
- Regulations for the prevention of bribery
- Regulations for observance of competition law, etc.

Hotline (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 hotline (Speak Up System) to directly report the matter to: (i) in-house liaisons which are the general managers of the Legal Department, the Safety & Environment 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 FY2018, there were 12 cases brought up through the SMM Group hotline (Speak Up System). Broken down, these were six cases involving harassment, two cases involving salary and hiring, two cases involving employee management, one case involving workplace relations, and one case involving a product container. Each of these consultations was handled appropriately.

Response to Complaints and Comments Directed at Our Group

In terms of human rights-related response, our group has established the hotline (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 the sales department of each business site act as points of contact for complaints about products and services. Our website features a "Contact" page that directs viewers to points of contact for all types of inquiries.

Anticorruption

The Basic Policies for Anti-Bribery was established April 2017. This policy stipulates the following rules for SMM Group officers and employees: 1. Granting, offering, or promising a bribe either directly or indirectly is forbidden, 2. The prior approval of the department in charge is required as specified elsewhere, when providing entertainment or a gift to public officials, etc., 3. An accurate accounting record must be created and maintained to prove compliance with laws pertaining to the prohibition of bribes to public officials, etc., 4. If a possible violation of laws prohibiting bribery is discovered, it must be immediately reported to one's superior. Also, construction of a framework is under way to identify and analyze any risk of bribery, and to evaluate the possibility of bribery and its effects if bribery has occurred, and to prevent any bribery.

There were no cases of corruption at the SMM Group in FY2018.

Participants of Compliance Education (FY2018)

Type of seminar	Target	Gender	Participants
Compliance seminar for general managers	Officers	Male	83
		Female	0
SMM Group Code of Conduct Refresher Training and Ethics Training	Employees	Younger than 30	770
		30-50 years old	188
JCO Study Center training	Employees	30-50 years old	2,325
		51 and older	500
Introductory training for new employees	Employees	51 and older	1,696
		51 and older	187

Note: Attendees include those belonging to equity-method affiliates. The information in this table covers Japan.

SMM Group Code of Conduct

All officers (including executive officers) and staff (including fixed-term and temporary employees) shall, in accordance with the corporate philosophy of the SMM Group, comply with the following Code of Conduct. Officers in particular shall, in reflection of their position and responsibilities, exercise strict self-discipline, set an example in carrying out the Code, and educate employees to honor and strictly obey the Code in full.

- 1. Compliance: Abidance by Laws and Rules**
 - We will comply with foreign and domestic laws and rules, and conform to social norms.
 - We will never under any circumstances commit an infraction of the law or act counter to social norms, even if doing so would seem to be in the company's interests.
- 2. Respect for Individuals**
 - We will accept diversity and respect the individuality and rights of people.
 - We will never violate human rights, engage in discriminatory conduct, or contribute to such conduct.
- 3. Assurance of Health and Safety**
 - We will give highest priority to ensuring the physical health and safety of all persons affected by our operations.
- 4. Development of Human Resources**
 - We will strive not only for personal self-improvement, but also to nurture successors through systematic training and by providing various opportunities in the course of work.
- 5. Risk Management**
 - We will strive to identify risks, prevent their occurrence, and if risks occur, minimize the effects.
- 6. Adherence to a Progressive Stance**
 - We will approach our jobs with a positive and progressive attitude suitable to the creation of technologies and systems in the vanguard of changing times.
- 7. Respect for Teamwork, Promotion of Good Communication**
 - We will place high value on teamwork, in the form of cooperation both with other organizations and with fellow workers.
- 8. In Harmony with Society and Local Communities**
 - As members of society, we will participate in social contribution activities in accordance with our personal beliefs.
 - We will strive toward a harmonious and mutually beneficial relationship with local communities.
- 9. Separation of Corporate Business and Personal Affairs**
 - We will at all times conduct ourselves based on sound judgment, and make a clear distinction between corporate business and our personal affairs.
- 10. Collection, Management and Usage of Information**
 - We will collect information swiftly, properly and lawfully, manage it appropriately, and use it effectively.
 - We will utilize information acquired in conjunction with corporate business expressly for that purpose only, and will not leak such information to any third party.
- 11. Handling of Intellectual Property**
 - We will nurture and maintain conscious recognition of the importance of intellectual property as a vital asset of the Group, and strive toward the creation of such property.
 - We will strive to properly protect and effectively use all corporate intellectual properties; we will also respect intellectual properties of other parties.
- 12. Assurance of Quality**
 - We will continuously improve quality management systems and provide products and services that satisfy customers.
 - We will enhance technologies and seek to engage in manufacturing that takes into account customers' safety and their environment.
- 13. Stance toward Performance of Sales and Purchasing**
 - We will comply with competition laws and conduct sales and purchasing activities based on fair competition.
- 14. Stance toward Entertainment and Gifts**
 - We will entertain and present gifts to others, and accept entertainment and gifts, within the proper limits of both the law and social acceptability.
 - We will comply with laws against bribery and will maintain healthy and proper relationships with government and political organizations.
- 15. Severance of Relationships with Socially Disruptive Forces**
 - We will staunchly eliminate socially disruptive forces and have no relations whatsoever with them.
- 16. Concern for the Global Environment**
 - Taking into consideration climate change and biodiversity, we will act in a manner enabling us to contribute to the resolution and/or improvement of resource, energy and environmental problems of global scale.
- 17. Attitude in the Performance of Global Business Activities**
 - We will strive to interact with people in the countries or regions where we undertake business and engage in conduct that respects local culture and practices as well as globally accepted norms and their spirit.

Risk Management

Risk Management Framework

The SMM Group engages in risk management under the Six Principles¹ established for Maximizing Corporate Value. The president is the person responsible for risk management (RM) at the SMM Group and he formulates RM policy as a part of his fiscal year policy. based on this policy each business site formulates a fiscal year RM action plan and conducts RM activities. These activities are checked and reviewed by RM internal audits and RM patrols. For major risks that cause serious damage and require treatment across the entire SMM Group (SMM Group-Wide Serious Risks), a group-wide Crisis Management Framework has been built, with training and enhancing our ability to respond to such situations.

These activities are in place as the SMM Group RM system (RMS).

1: (1) Compliance is the foundation, (2) The organizational leader confronting the risk is the responsible party, (3) Awareness of risk must be shared among all parties involved, (4) Adopt an RM approach in daily work, (5) Recognize that risks can materialize, and (6) Coordinate risk responses with other management systems

Individual Risks and Daily RM Activities

Daily RM activities in each site as part of usual tasks involve identifying and assessing individual risks, according to the change in the circumstances, and taking the appropriate treatment. These activities identify the risks shown below² at each site, resulting in more than 1,400 individual risks currently registered in the RM system. In case there are changes to the environment and conditions that serve as prerequisites for identified risks, such as business environments, work environments, people, equipment, work procedures, and quality standards. these registered risks are reviewed and updated, or new risks are added. Also periodical risk review are promoted during the RM Promotion Campaign every September.

2. Compliance violations, environmental accidents, fires and explosions, natural disasters, pandemics or epidemics, loss, leaks and theft, contract or rights infringement, fraud, scandal, human error, water cutoff or power outage, production equipment damage, occupational accident, quality issues, human rights, reputation, and exchange risks, etc.

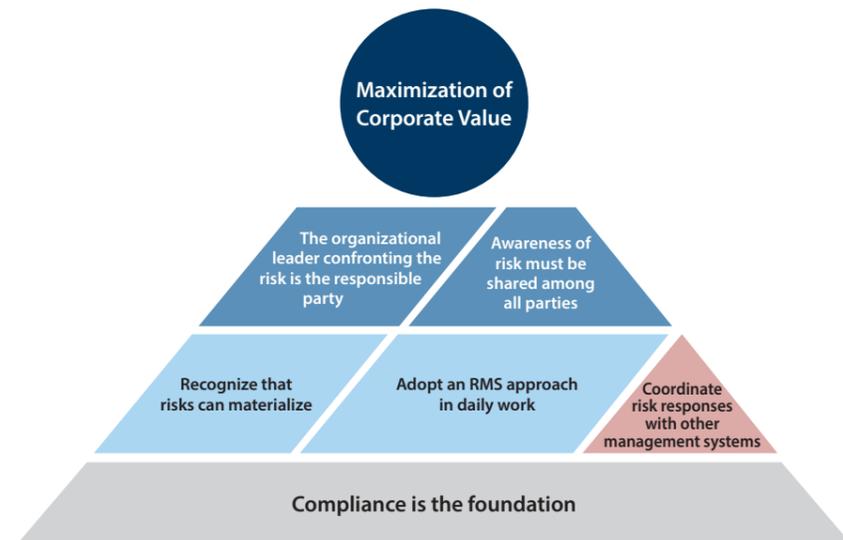
The FY2019 RM Policy and Activities

The FY2019 RM policy is prescribed "Identify and address risks that hinder executing the business plan and reaching its goals as usual work." Risks registered in the RM system with small environmental or situational changes are managed by formulated risk treatment. Project-based risks, however, are different as they entail a large number of unexpected and situational changes, making it impossible to maintain risk management effectiveness without a framework that can provide an immediate response.

Top management at the SMM Group leads the way in initiatives, making new businesses and projects successful without compliance violations, environmental accidents, occupational accidents, quality issues and other issues, even in crises, by appropriate risk treatment based on a Crisis Management framework.

Other RM Activities

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, working to reinforce buildings against earthquakes, maintain embankments, enhance drainage capabilities, add more water storage tanks, stockpile emergency rations, maintain emergency supplies, and engage in drills which are under way to prepare for earthquakes, fires, and environmental accidents, as well as terrorism, riots, and kidnappings at overseas locations. Based on current issue, optimal program of these drills is planned to deal with problems such as lack of experience handling materials and machinery, insufficient understanding of rules and procedures, insufficient manuals, as well as to improve the decision-making abilities of members at countermeasures headquarters. Also, each site engages in drills according to their situations, such as practical skill-up training to learn proper handling, manual check to gain a proper understanding of rules and procedures, workshop to simulate decision-making of various occurrences, as well as blind scenario role-playing drills that test immediate responsiveness.



Emergency response headquarters exercise, assuming the environmental accident of occurrence



Drills for Establishing a Crisis Management Headquarters and Holding a Press Conference

On December 14, 2018, a crisis management drill was conducted. The drill used the scenario of an accident at one of our business sites, with neighboring residents taking shelter indoors and people involved having lost consciousness. The drill also included the establishment of a crisis management headquarters and company officers explaining the situation at a press conference.

The drill began, with the scenario a secret, by contacting relevant parties to notify them of the accident, and then the establishment of a crisis management headquarters, and collecting information from people in charge and issuing orders while up to the minute situational reports and inquiries overlapping. Then, the drill ended with the president, General Manager of the Materials Division and General Manager of the Safety & Environment Control Department conducting a mock press conference.

Even when there are countermeasure regulations and manuals for emergencies, it is important to evaluate their effectiveness and effect through drills with explanations to neighboring residents and the media. We look forward to maintaining even more effective risk management practices in the future by working together with relevant departments and business divisions in drills and through closer communication with our neighboring communities.

Human Rights Management

Policy and Framework

The SMM Group operates on a global scale, necessitating the responsibility to maintain respect for human rights in our business activities at all positions in the value chain. With the president as the responsible person, these initiatives are promoted by the officer in charge of human rights as the executive officer in charge of the Personnel Department and CSR Department. Ensuring that all employees receive the necessary awareness education, establishing a hotline, and due diligence for human rights help to properly monitor the situation, we quickly and appropriately handle problems when they arise.

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 and operate 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.

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

Human Rights Due Diligence

The human rights management program covers SMM Group employees inside and outside Japan, the supply chain that the SMM Group is able to influence, and the local citizens in areas where the group does business (See p. 110: Supply Chain Management).

A human rights management program for employees began full-scale operation in FY2014, and in FY2018 we carried out a basic survey regarding human rights at 10 business sites and group companies in Japan and overseas. With regard to the human rights management program for the supply chain, we carried out questionnaires for suppliers in Japan and overseas and conducted on-site inspections at four suppliers. In FY2018, there were no cases of discrimination, three cases of harassment, and no complaints regarding harm on human rights, but all cases were handled in an appropriate manner.

Human Rights Seminars

Human rights seminars are held regularly and include lectures, education on human rights risks for employees scheduled to be posted overseas, and human rights education as part of training when promoted. The primary objectives are to deepen awareness of potential human rights issues in the workplace and to prevent problems from occurring. These seminars are held not only for officers and managers, but also for a broader range of employees including regular employees and limited-term employees.

Also, in order to prevent every kind of harassment, each workplace runs human rights education.

In addition to these seminars, we hold education on human rights, including the SMM Group Policy on Human Rights, for all employees—including those at group companies—every December during Japan's Human Rights Week. Going forward, we intend to further enhance human rights education. Education is conducted so that the manager of each business site talks directly to the employees about themes that should be touched upon at that particular site, and so that the management at each business site can communicate their thoughts to all employees.

Initiatives to Take on Issues and Provide Improvements

An issue in promoting the prevention of human rights violations is the difficulty in quantifying the results of education on the SMM Group Policy on Human Rights, further spreading the diversity promotion framework, and continuing to make employees aware of the SMM direct hotline.

In FY2018, harassment eradication initiatives were considered and put into practice at each business site and group company. With regard to the three categories in human rights due diligence (employees, supply chain, and local communities), surveys were conducted on employees at sites where it was necessary, on-site interviews were held along the supply chain to ensure that all was going according to plan, and overseas business sites considered what direction to take for surveys of local communities.



Diversity workshop—Thinking about LGBT



Training for direct hotline (Speak Up System) operators

Human Resources Management

Policy and Framework

Along with carrying forward the Sumitomo Business Spirit, our Group is putting effort into developing human resources and promoting diversity to deal with new business models and adapt to a changing business environment. With the president as the responsible person, an officer is appointed to be in charge of the Personnel Department and these initiatives are promoted. In 2015, in addition to identifying specific targets and KPIs for human resources development, the Human Resources Development Department was established as an independent Head Office organization to strengthen the human resources development function. This organization provides opportunities for all employees to enhance their skills and motivation, with a focus on: training the next generation of management; supporting an active contribution by women; and training global human resources. We aim to strengthen the management base and execute a solid growth strategy by promoting training in line with the image of the type of person needed at the SMM Group. The human resources development program is composed of three components—on-the-job training (OJT) is the base, with self-development, and off-the-job training (OFF-JT)—and works to develop the human resources required to achieve our growth strategies by utilizing a training cycle that involves selection → training → assignment → practical application → evaluation.

Development of Human Resources

In human resources development, which has OJT by one's supervisor or senior colleagues as the foundation, is not simply the acquisition of job knowledge and skills, but also promotes growth as a person through work. A wealth of training programs, seminars, e-learning, and correspondence education are available to augment OJT, and provided support to improve and transfer skills. Educational efforts to produce SMM's next generation of managerial human resources focus on three keywords: Action, the ability to create and execute plans; Conceptualization, which is the ability to systematically consider, organize, and summarize matters; Cognition, which is the ability to understand the essence of matters and make correct judgments. Also, educational efforts are under way to select management candidates for leadership training at each stage.



Training to improve problem solving skills of office workers



Training for new employees



Middle Management Program

Working Style Reform and Health Management

Based on the idea that the continual growth of the SMM Group overall is linked to the growth of each individual employee, efforts to promote working style reform began in FY2017. The goal is to have an average of 1,900 hours or less per year for total hours worked by FY2019.

The purpose of the reform is not merely the shortening of working hours, but also the associated creation of new value. Our aim is to recreate a free and open corporate culture in which all employees can use their limited time effectively and engage in work with motivation. We believe that this reform is also extremely important in the development of the next generation of managerial human resources.

As one initiative in improving working environments, in FY2018 a review of health management was carried out.

Specifically, this involves: a more precise management of working hours and a speedy response through the introduction of a new work system; the introduction and promotion of a more flexible style of work; and efforts to review how work is done, such as the substance of meetings, email, and taking an inventory of tasks.

Promotion of Diversity

Diversity initiatives, which aim for the acceptance of the skills and values of a diverse set of human resources, will play a vital role in the future development of SMM Group's business. The SMM Group promotes diversity with a focus on promoting the active contribution by women and employment of people with disabilities, and has been engaging in various efforts to create frameworks for a more diverse workforce, including establishing the Diversity Promotion Section within the Personnel Department. In 2018, a woman was appointed

as an outside director, resulting in exchanges of diverse viewpoints even among the Board of Directors. Also, efforts are under way to create a support system to help deal with the recent social issue of caring for elderly family while working, along with launching a new in-house training program to help educate employees.

In addition to conducting training related to promoting an active contribution by women, measures were considered and implemented to attract female engineers by creating comfortable working environments, and engaging in PR and hiring activities. Action plans were executed and supported at each business site and group company with regard to the employment of people with disabilities.

Also, the development and administration of a fair human resources system means there is no gender disparity in our compensation system at the SMM Group.

Initiatives to Take on Issues and Provide Improvements

With respect to employees' satisfaction with work, efforts to raise understanding of the current management environment and support for employees in gaining satisfaction from their work are issues. In FY2018, information sharing methods were expanded, such as making briefing sessions on management information available via e-learning, developing in-house instructors with training on coaching and rolling it out to regular employees, and providing continuous support via workplace support tools (various types of training). With regard to developing human resources, in addition to brushing up and continuously conducting selective training, because attendance at web language learning courses and e-learning courses was low, efforts were made to introduce easy-to-use language learning tools and expand self-development support.



Diversity workshop—Simulated elderly experience



Discussion on female career development by outside director Ishii

Supply Chain Management

Policy and Framework

Given its corporate activities around the world, the SMM Group absolutely requires initiatives geared toward sustainability in its overall supply chain. According sufficient consideration to human rights and the environment impacts our ability to conduct our projects and businesses smoothly. After establishing the president as the person responsible for these initiatives, the executive officer in charge of the Safety & Environment Control Department executes initiatives on human rights and the executive officers in charge of the Personnel Department and the CSR Department execute initiatives on human rights. The SMM Group Policy on Human Rights 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.

Consideration of human rights in our regions of operation spans the right to freedom and physical safety, freedom of mobility and residence, the right to property, and more. The SMM Group engages in close exchange of information with our partner companies at mines where we hold interests in addition to the mines and business sites that we operate, and takes due consideration to prevent human-rights violations.

Responsible Mineral Sourcing

Minerals mined from the Democratic Republic of the Congo and nine surrounding countries (gold, tin, tantalum, and tungsten) are subject to tighter regulations as “conflict minerals” that serve to fund armed groups and child labor, forced labor and other human rights violations, and supply a catalyst for the expansion and prolonging of conflict. To ensure that the smelting and refining of gold in our business does not make use of these 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. We have also begun operating in accordance with the Responsible Silver Guidance of the LBMA with respect to silver since FY2018.

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 the SMM Group is aiming for transparency in its supply chain.

Moreover, in order to further clarify the stance of the SMM Group regarding these issues, we established and disclosed the SMM Group Responsible Mineral Sourcing Policy on November 1, 2018. Following that establishment, we administered training to our officers and employees on relat-

ed areas such as the background of that establishment and initiatives by SMM, and promoted widespread internal awareness of that policy. Going forward, we will push forward with efforts such as forming mechanisms for due diligence that are capable of accommodating the LME position paper released in Fall 2018 and the RMI standards, among other global standards.



LBMA Responsible Gold Certificate

SMM Group Responsible Mineral Sourcing Policy

Pursuant to the SMM Group Policy on Human Rights, we do not buy minerals that may be associated with human rights violations such as child labor or forced labor, environmental destruction, illegal mining, or corruption, or minerals that may be used as a source of funding for armed insurgents or other such organizations.

We respect the guidance established by the Organisation for Economic Co-operation and Development (OECD) regarding mineral sourcing, and we exercise appropriate influence over suppliers as we work for responsible mineral sourcing throughout the entire supply chain.

Reference

London Metal Exchange (LME)

The LME specializes in trading of non-ferrous metals such as copper, nickel, aluminum, lead and zinc. The LME trading prices for metals are used as the international pricing benchmarks for sales of refined metal and purchases of refining ores.

Responsible Minerals Initiative (RMI)

An international initiative on the responsible sourcing of minerals by the Responsible Business Alliance (RBA), an organization founded in 2004 for the purpose of promoting a common code of conduct in the world's electronic equipment industry.

Fair Business Practices

As exemplified by the Antimonopoly Act of Japan, the establishment of laws for preserving a sound and fair state of competition has been progressing around the world. In April 2019, the SMM Group established its Basic Policy for the Compliance with Competition Laws, through which has indicated the duty of its officers and employees to prevent acts prohibited under those laws through efforts such as refraining from conducting unfair transactions or making a prompt report to their superior or otherwise taking necessary action when they discover potential violations of those laws. We have also established a framework for compliance with laws on competition that, in addition to ascertaining and analyzing the risk of such acts and assessing their impact, provides thorough associated education through regular training and other means.

Cooperation with Suppliers

Every three years since 2015, our Mineral Resources, Smelting & 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. The survey we conducted in 2018 turned up no problematic suppliers.

When conducting business with new mining companies that are suppliers to our smelting and refining business, we perform environmental due diligence (environmental DD) to assess how those companies carry out environmental management. In FY2018, there was one new supplier for which we conducted environmental DD.

Furthermore, since the occurrence of accidents at any time during the development of a mine creates the risk of significant environmental impacts, we work with our partners to mitigate environmental risks even at mines we do not operate, such as mines in which we hold an interest.

Initiatives to Take on Issues and Provide Improvements

In relation to promoting the preservation of biodiversity, we have set forth as targets: the verification of the environmental impact of our portfolio companies and supply chain and the implementation of measures to reduce risks. We are currently facing the issue of implementing those measures on an ongoing basis. In 2018, we had both Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation encourage suppliers to apply measures towards the stabilization of heavy metal concentrations.

Additionally, we have improved regional living environments through hiring individuals from the communities around our business operations and developing those regions, and are endeavoring to elevate our co-existence and co-prosperity with such local communities and our bonds of trust with them.



Toyo Smelter & Refinery

Quality Assurance

Basic Approach

Through collaboration among the SMM Group's three businesses of Mineral Resources, Smelting & Refining and Materials, in addition to manufacturing and selling metal bullion made from excavated and smelted and refined ore in the form of materials, we process metal bullion and other incidental substances in-house into advanced and other materials. In order to improve these products on an ongoing basis and provide our customers with high-quality products, we have established a Company-Wide Quality Policy and set forth SMM Quality Objectives every year. Based on these standards, each business division sets forth and implements division-specific quality targets, and conducts quality activities whose vector is aligned with the entire SMM Group. The president is the person responsible for quality assurance, and as such determines the above Company-Wide Quality Policy.

Company-Wide Quality Policy

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

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

SMM Quality Standards

The SMM Group has established and operates quality management systems (QMS) at each of its business sites. In order to effectively operate those QMS, starting in 2016, we have been conducting activities focused on the SMM Quality Standards, which constitute a summary of the ideal form of QMS at our company. Every fiscal year, each business site sets a target level for the SMM Quality Standards prior to engaging in improvement activities, and checks its achievement of quality control levels through self-assessments and quality audits by the Quality Assurance Department.

Over the three-year period since commencing the operation of QMS, the quality control level at our business sites has gone up considerably. We are currently revising our SMM Quality Standards in order to further elevate that level, and will start administering those standards anew in FY2019.

Strengthening of Our Internal Quality Audits

We will review the internal quality audits performed by our business sites and establish an internal audit system to identify potential internal issues from a third-person point of view and ensure that they are relayed to top management. We will also conduct audits so that they help prevent inappropriate acts that pertain to quality.

Development of Human Resources

Since 2016, we have held five training sessions for quality control representatives responsible for improving the effectiveness of QMS at our business sites, and have completed the curriculum for that training in full. The content of the training has been implemented at our business sites, and is serving to elevate the target level for our SMM Quality Standards.

Moreover, we are stepping up "minipro" improvement activities and small-group activities to establish a culture of identifying and improving upon on-site issues independently and linking that climate to the growth of our organization. Furthermore, we will also proceed to establish a quality education system so that our employees at all hierarchical levels, from new employees to managers and supervisors, will be able to outfit themselves with the QMS management capability that they need.

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 that 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,¹ 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.² 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.

1. SDS (Safety Data Sheet): A document listing information on a chemical, including the chemical substance, the product name, the supplier, hazards, safety precautions and emergency procedures.
2. We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel and zinc through substance-specific associations.

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, the SMM Group builds products with quality, improving the yield of its products and contributing to resource and energy reduction efforts.

Initiatives to Take on Issues and Provide Improvements

All employees are aligned toward our objectives and future direction and actively take part in efforts to reach 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 our quality management system through various activities focused on the SMM Quality Standards, including various forms of quality management education for business sites.

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.

Environmental Management

1. Environmental Management System

■ Policy and Framework

The SMM Group handles a large number of chemical substances in its corporate activities. For that reason, we face the risk of exerting undesirable effects on the local environment in the event that an accident does occur. On the other hand, we have the ability to contribute to the resolution of social issues such as climate change through the supply of our material products.

At the SMM Group, the president, in whom ultimate accountability resides, sets annual SMM Group Environmental Targets by taking into consideration environmental risks and opportunities for contribution. Acting on these targets, business sites and companies in each business division implement environmental management systems based on the ISO 14001 standard, with the Safety & Environment Control Department as the secretariat providing cooperation, support, and functional direction. Additionally, having positioned environmental preservation as one of its priority CSR areas, the SMM Group has established an Environmental Preservation Subcommittee under the CSR Committee to further initiatives aimed at the Group's Vision for 2020. In FY2018, we got to work on formulating our Vision for 2030, which peers even further into our future.

■ Environmental Management Systems

Under the SMM Group Environmental Targets, business sites and companies under each business division effectively operate environmental management systems and implement associated initiatives. For those systems, which form the basis of our environmental preservation and improvement activities, we have acquired ISO 14001 certification at our Head Office, branches, and all of the manufacturing sites and sites responsible for closed mines under the SMM Group. In addition, any new manufacturing sites are required to promptly acquire that certification as well. Also, where risk management is especially concerned, we have linked our Group's own risk management systems to our environmental management systems to tackle the prevention of significant environmental accidents.

2. Actions to Address Issues

■ Climate Change Measures

The SMM Group recognizes that measures in response to climate change are one of the highest-priority issues for corporations. As such, we are conducting initiatives to reduce greenhouse gases (GHG) emissions in accordance with the measures such as the seven principles for climate change by the International Council on Mining and Metals (ICMM) and the Low-Carbon Society Action Plan by the Japan Mining Industry Association (JMIA). More specifically, we are working toward reducing indirect GHG emissions through expanding our business in battery materials and other products contributing to a low carbon society, reducing energy consumption per units based on the Japanese Energy Conservation Act, and reducing direct GHG emissions largely through the use of renewable energy. With respect to measures against climate change by the SMM Group, every year, we respond to the questionnaire on climate change issued by the CDP.¹

1. CDP (Carbon Disclosure Project): NGO established in the UK in 2000 that operates a global information-disclosure system for managing environmental impact.

■ Reduction of Environmental Impact

For all of our core businesses—mineral resources, smelting and refining, and materials—the direct and indirect impact on biodiversity is unavoidable. However, we are striving to reduce the environmental impact of our development efforts, operations, and product use in order to minimize that undesirable impact on biodiversity.

When developing mines and building smelting and refining plants, we survey the surrounding ecosystems, and carry out activities such as monitoring ecosystems and planting trees when installing roads and facilities.

■ Management of Chemical Substances

Given that many of the SMM Group's products are chemicals and that many diverse chemical substances are also handled in the manufacturing processes for these products, all business sites have their own strict system for managing chemical substances. For example, when a business site intends to handle a new chemical, it conducts a preliminary study that covers hazard statements and other applicable information, and deliberates on safety in a meeting at the business site before deciding whether to adopt the handling of the chemical.

Furthermore, advanced materials by the SMM Group are incorporated by our customers into electrical and electronic products and distributed widely to domestic and foreign markets. Therefore, in addition to ascertaining information on the chemical substance content of the SMM Group's chemical products through our supply chain, we provide customers with information on products by the SMM Group using safety data sheets (SDS) regardless of whether or not we are legally obligated to do so. Screenings of development themes for new products also put an emphasis on products with a low environmental impact that can be used more safely by customers.

■ Prevention of Significant Environmental Accidents

Accumulation sites for the waste rock, tailing, and deposits produced by mines may cause major damage should they collapse. We evaluated the earthquake resistance of the 56 accumulation sites that the SMM Group manages in Japan, and since FY2014, we have been pushing forward with stabilization work for facilities judged to require countermeasures. In FY2018, we completed that stabilization work for all of the facilities that we scheduled it for.

Significant environmental accidents not only impact the environment, they also have a direct link to the lifestyles and interests of communities, and potentially cause us to lose the trust that forms the premise of our business continuity. Through means such as examining the environmental risk of new businesses and regularly revising the significant risks involved, methodically updating old equipment and bolstering our monitoring and emergency response efforts, we are endeavoring to prevent significant environmental accidents and alleviating their impact in the event that they occur.

Moreover, in FY2018, we experienced no significant leakage accidents that resulted in administrative punishment or guidance.

■ Effective Use of Water Resources (Water Stewardship)

The manufacturing processes in the SMM Group, particularly its smelting and refining business, necessitate large quantities of water. At the same time, being that it is a shared local resource, water is closely intertwined with the lifestyles of local residents and the community, and also bears a relationship on the ecosystems of the area. We are therefore called upon to be considerate of the local communities and environment in the water areas that we use, and to use that water

responsibly and effectively. We also have the ability to contribute to local communities through water-associated means. In this manner, we are promoting a number of initiatives that regard water.

- Prevention of overdraw of water by keeping track of the volume of water withdrawn at each water source
- Reduction of water withdrawal volume and discharge volume through promoting use of recycled and reused water
- Promotion of effective use of water through ascertaining water balance and optimizing usage volume
- Reduction of environmental burden through reducing volume of hazardous chemical substances contained in effluent that are discharged into water areas
- Promotion of preservation of biodiversity through performing monitoring surveys on aquatic life in areas surrounding business sites
- Promotion of infrastructure development in regions where access to water is limited

With respect to water management in the SMM Group, every year, we respond to the CDP water security questionnaire.

■ Enforcement of Compliance

The SMM Group implements various measures for the purpose of raising its level of compliance.

In addition to study efforts independently conducted by our employees through two e-learning courses pertaining to environmental laws, we hold seminars on laws and regulations every year for personnel in charge of the environment at business sites in our endeavors to further their knowledge of associated laws and regulations.

We also gather information in a range of areas such as legal amendments, including those for overseas regulations covering areas like the RoHS Directive² and the REACH Regulation,³ to form a grasp of the most recent requirements under such laws and regulations.

2. RoHS Directive: The Restriction of Hazardous Substances Directive.

3. REACH Regulation: The Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

Stakeholder Communication

Policy and Framework

At the SMM Group, the following entities were identified as stakeholders that are affected by the Group, or affect the Group: customers, shareholders, employees, local communities, creditors, business partners, civil society

organizations, and government agencies. A specific target has been established as the SMM Group's proper objective for each stakeholder and we are advancing various initiatives in order to realize these targets.

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 Local Communities	Be a company that coexists well with its local 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 Civil Society Organizations	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 local communities where it is undertaking its projects.

Communication with Customers

One of the SMM Group's greatest strengths is our relationships of trust with our customers. As nearly all of the products handled by the SMM Group are various kinds of materials, they have a significant effect on the performance and quality of the products manufactured by our customers, so it is crucial we maintain appropriate communication in a timely manner from the time of taking an order, through to manufacture, delivery, and follow-up after the customer has received the product. We are responding to changes in the market environment, including globalization, while also taking a long-term perspective to sincerely meet our customers' needs. In regard to new product development, we maintain close communication, not only between market-leading customers and our business divisions, but also between different organizations and employee ranks, in order to build relationships of trust.

On the other hand, recently companies in our supply chain have been showing growing interest in CSR activities and where materials and raw materials are derived from, particularly in regard to conflict minerals. We strive to communicate with our customers in an appropriate manner by disclosing information through our website and Integrated Report.

Communication with Shareholders

The SMM Group strives to provide our shareholders and people who are considering purchasing shares with the information we think they need in a timely, appropriate, fair, and easy-to-understand manner.

On our website, we share our growth strategy, primarily through business descriptions, business results, financial information, and 3-year business plans, as well as the progress being made on this strategy. We deliver reports to shareholder twice a year and report on financial results and the progress of management strategies.

We have also formulated an IR Policy to ensure IR activities are implemented appropriately, which is publicly available on our website. Twice a year, after the announcements of our yearly financial results and financial results for the second quarter, the president briefs institutional investors and securities analysts directly, and he also held a briefing on February 2018 timed to coincide with the announcement of our 3-year business plan. We also strive to actively disclose IR information for individual investors through our website. We will continue working to win the trust and meet the expectations of all stakeholders, including our shareholders.

Communication with Local Communities and NGOs

When the SMM Group starts and continues businesses in specific areas, we think a major prerequisite to the continuation of said business is co-existence with the local community through the building of relationships of trust. A contributing factor to this is mutual understanding achieved through communication and contributions that benefit the local community. We work to raise the direct contribution we make to the local economy through measures such as recruiting from areas surrounding our business site and procuring from local suppliers, and we also contribute to improving the lifestyles of these communities, particularly in emerging nations, by providing infrastructure such as roads and ports, and building and operating public facilities such as schools, hospitals, and marketplaces. When implementing these measures, we establish opportunities for regular communication with local communities and move forward while also checking the requirements of local citizens. Additionally, twice a year we hold exchanges of opinion with the international environmental NGO Friends of the Earth Japan (FoE Japan) regarding their findings on topics such as the water quality of rivers around Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation plants in the Philippines, and we implement necessary improvement measures that reference the group's opinions and recommendations.

Initiatives to Take on Issues and Provide Improvements

The SMM Group will continue striving to share information in a fair manner with all stakeholders through transparent, timely and appropriate information disclosure carried out by releasing various reports, holding briefings, and issuing press releases. Furthermore, issues addressed in our 2018 3-Year Business Plan include rebuilding an open and vibrant organizational climate, strengthening our response to globalization, and developing and make the most of human resources. We are actively tackling these with the recognition that good communication within the company is crucial for achieving each one. Also, in regard to our involvement in the international community, as a member of the International Council on Mining and Metals (ICMM), we comply with the ICMM 10 Principles and we also agree with the purpose of the Extractive Industries Transparency Initiative (EITI), which aims to encourage the development of countries from which mineral resources are extracted, and we support its activities (see p. 140).



Briefing on the progress of business strategy



A business site observation tour for the media