

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

## 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. Please check the following corporate website for further details.

**WEB** [https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

## Decision Making and Supervisory System

### Directors and the Board of Directors

SMM has three outside directors among our eight directors, and our Audit & Supervisory Board members consist of two standing Audit & Supervisory Board members and two outside Audit & Supervisory Board members.

### What the Board of Directors should ideally be

Positioning Mineral Resources, Smelting & Refining, and Materials as its three core businesses, SMM aims to realize its Long-Term Vision of becoming a "World Leader in the Non-Ferrous Metals Industry." Since all three businesses are related to non-ferrous metals, they have a mutual organic relationship and their business contents and scale are such that the Board of Directors can make decisions itself regarding diverse management issues. Furthermore, from the viewpoint of the stronger coordination currently being promoted among the three businesses, it will further stimulate the Company's growth if the Board of Directors itself comprehensively makes decisions rather than giving strong independence to each business segment and permitting them to make their own decisions. To this end, we consider that in principle a management model is appropriate for the Company's governance, rather than a monitoring model that oversees overall business execution after the fact.

Furthermore, in view of the distinctive characteristics of the SMM Group's business operations, it is important to strengthen the management infrastructure (particularly regarding compliance, safety, and the environment) and therefore necessary to establish a system whereby Audit & Supervisory Board members can point out issues to directors and executive officers without hesitation. From this viewpoint, we have adopted an organizational structure of a company with an Audit & Supervisory Board in which Audit & Supervisory Board members with guaranteed independent authority can be expected to exercise their auditing functions stably over a period of four years. At present Audit & Supervisory Board members do not have the right of convocation regarding decisions of the Board of Directors or the right to vote on the Board of Directors. The resulting inability of Audit & Supervisory Board members to propose the removal of a director to the Board of Directors is an issue for companies with an Audit & Supervisory Board. We are striving to overcome this issue by appointing multiple outside directors (at least one third of members), have them become members of the Governance Committee, and deal with the appointment and dismissal of directors and executive officers in the Governance Committee.

### Governance Committee

The Governance Committee is composed of one member who is the chairman of the Board of Directors, who is not an executive officer, and three independent outside directors and it was established to provide the president with advice

from an objective standpoint with regard to particularly important matters relating to corporate governance, including the nomination and remuneration of directors, executive officers, and others.

Kazuhiya Nakano, an outside director, serves as chair of the Governance Committee.

### Role and function of outside directors and outside Audit & Supervisory Board members

Outside directors are expected to perform two functions: an advisory function and a monitoring function.

Regarding the advisory function, in order for the SMM Group to achieve sustainable growth and increase its corporate value over the medium to long term, outside directors are expected to enhance the quality of decision-making by the Board of Directors by providing advice and making decision based on their experience and other factors, without being bound by the Company's conventional way of thinking or frameworks.

Regarding the monitoring function, outside directors are expected to serve a check function on management from an independent and objective standpoint via the Board of Directors, as well as to supervise management on behalf of shareholders and other stakeholders by providing advice during decision-making on director nomination, remuneration, and other relevant matters as members of the Governance Committee.

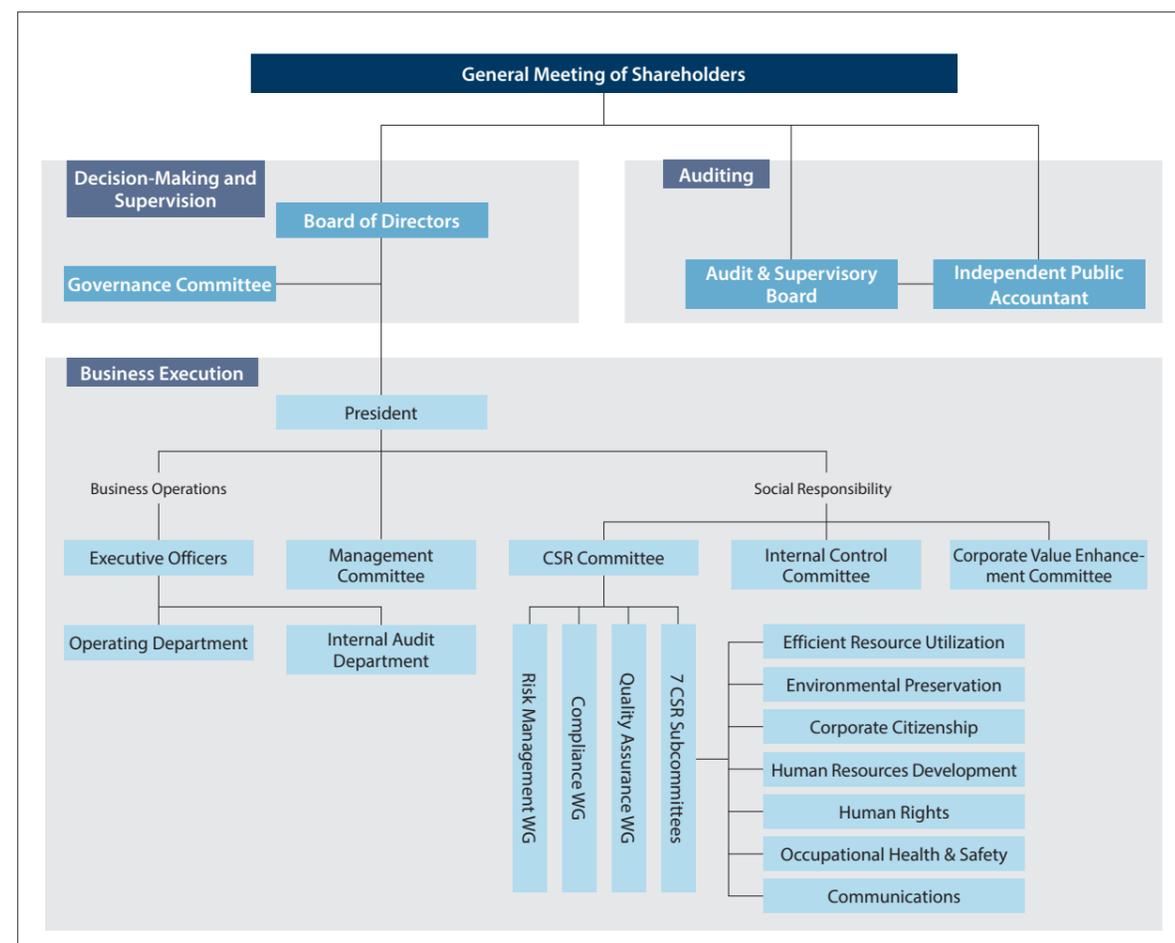
In order for the Company to achieve sound management and increase its corporate value over the medium to long term, outside Audit & Supervisory Board members are expected to conduct effective audits based on their knowledge and experience in specialized fields including finance, accounting, and legal matters, while maintaining sufficient coordination with standing Audit & Supervisory Board members belonging to the Company.

In addition, as part of the audit process, outside Audit & Supervisory Board members are expected to participate in key meetings, including Board of Directors meetings, and to actively express their forthright opinions from an independent and objective standpoint during the decision-making process, including not only the legality but also the appropriateness of proposals.

All the Company's outside directors and outside Audit & Supervisory Board members have been declared as independent officers, pledging that there is no conflict of interest with that of shareholders. We also publish our standards governing the independence of outside officers on the following corporate website.

**WEB** [https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

## Corporate Governance Framework



## Auditing System

### Audit & Supervisory Board

The Audit & Supervisory Board has four members (two standing Audit & Supervisory Board members and two outside Audit & Supervisory Board members). Standing Audit & Supervisory Board members belonging to the Company gather in-house information in an accurate and timely manner, and audit operations appropriately based on this information, while independent outside Audit & Supervisory Board members conduct audits in a manner that takes advantage of knowledge of their respective specialist fields and diverse perspectives.

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.

### 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, accompany staff of the Internal Audit Department as required when conducting internal audits, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions. In FY2020, Audit & Supervisory Board members attended such meetings 14 times. 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 and reports reviewing each quarter from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.

### Outside Directors and Outside Audit & Supervisory Board Members

	Reason for Appointment	Attendance at Meetings
<b>Outside Director</b> <b>Kazuhisa Nakano</b>	Mr. Nakano has a wealth of knowledge and experience in corporate management and resource-related business. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding long-term projects, especially in our Mineral Resources Business and Smelting & Refining Business as well as the overall plan, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing his knowledge and experience. He is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nomination and remuneration of directors and executive officers as the member of the Governance Committee. Mr. Nakano is currently an outside director of the Company and the Chairman of the Governance Committee and has been appointed as an outside director as he is currently serving the role shown above.	In FY2020, the Board of Directors convened 15 times (12 regular meetings and 3 extraordinary sessions). He attended all meetings.
<b>Outside Director</b> <b>Taeko Ishii</b>	Ms. Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law. She is expected to contribute to the improvement of quality of the Board decision-making by providing her advice regarding compliance and personnel/labor-related fields, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing her knowledge and experience. She is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remuneration of directors and executive officers as a member of the Governance Committee. Ms. Ishii is currently an outside director of the Company and a member of the Governance Committee and has been appointed as an outside director as she is currently serving the role shown above.	In FY2020, the Board of Directors convened 15 times (12 regular meetings and 3 extraordinary sessions). She attended all meetings.

	Reason for Appointment	Attendance at Meetings
<b>Outside Director</b> <b>Manabu Kinoshita</b>	Mr. Kinoshita has a wealth of knowledge and experience in corporate management and digital business. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding materials businesses and digital fields where the business environment is changing significantly, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing his knowledge and experience. He is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remuneration of directors and executive officers as a member of the Governance Committee. Mr. Kinoshita is currently an outside director of the Company and a member of the Governance Committee and has been appointed as an outside director as he is currently serving the role shown above.	In FY2020, the Board of Directors convened 11 times (9 regular meetings and 2 extraordinary sessions) following the appointment of Mr. Kinoshita as an outside director. He attended all meetings.
<b>Outside Audit &amp; Supervisory Board Member</b> <b>Wataru Yoshida</b>	Mr. Yoshida has a wealth of financial institutional experience and knowledge of corporate management. He is expected to carry out effective audits, especially regarding finance and overseas projects, based on his own knowledge and experience in order to ensure the soundness of the Group's management and improve its corporate value over the medium to long term, while fully coordinating with the standing Audit & Supervisory Board members. In addition, as part of the audit process he is expected to participate in important meetings, including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Mr. Yoshida is currently an outside Audit & Supervisory Board member of the Company, and is performing the role shown above appropriately.	In FY2020, the Board of Directors convened 11 times (9 regular meetings and 2 extraordinary sessions), and the Audit & Supervisory Board convened 11 times following the appointment of Mr. Yoshida as an outside Audit & Supervisory Board member. He attended all meetings of both.
<b>Outside Audit &amp; Supervisory Board Member</b> <b>Shoji Wakamatsu</b>	Mr. Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He is expected to carry out effective audits, especially regarding accounting, based on his own knowledge and experience in order to ensure the soundness of the Group's management and improve its corporate value over the medium to long term, while fully coordinating with standing Audit & Supervisory Board members. In addition, as part of the audit process he is expected to participate in important meetings, including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Although Mr. Wakamatsu has not been involved in corporate management other than as an outside Audit & Supervisory Board member, in addition to the above reasons, he has been involved in the management of an audit firm, and accordingly the Company has appointed him as an outside Audit & Supervisory Board member as it has determined that he is able to properly perform the roles stated above.	He was newly appointed as an outside Audit & Supervisory Board member at the Ordinary General Meeting of Shareholders held in June 2021.

## Business Execution Structures and System

### Executive Officer System

In accordance with laws and regulations and the Articles of Incorporation, the Board of Directors delegates decision-making regarding business execution to the President and executive officers, and supervises the execution of duties by the President and executive officers.

The executive officers are appointed by the Board of Directors and are entrusted with important positions such as heading a business division, or a division or a department at the Company's head office, and are granted specific authority to perform their duties in each such position.

### 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, executive officers from the Corporate Planning Department, 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.

When making investments or equity contributions, we use a project risk check sheet for committees, primarily the Management Committee, to carry out deliberations regarding human rights issues such as discrimination, forced labor, and child labor, and also the political system, economy, law and order, locally-specific diseases, labor issues, religious restrictions, and the impact on the local community. In FY2020, two new investment agreements were proposed to the Management Committee, which conducted screening for human rights issues and confirmed the investments to be unproblematic. No projects were withdrawn. We will continue to carry out regular monitoring in the future.

**CSR Committee**

Please refer to pages 64 – 65 for further details

**Corporate Value Enhancement Committee**

In our Mineral Resources, Smelting & Refining, and Materials businesses, the SMM Group positions projects in excess of a certain investment value and expected return value as large-scale projects.

We categorize these large-scale projects under the labels “Sowing,” which spans from narrowing down projects to selection; “Planting,” which covers determination of the project organization to completion of construction for the project; “Nurturing,” which ranges from the start of production to achievement of the design capacity; and “Harvesting,” which covers ongoing verification of the project through full production. For each of these, the Corporate Value Enhancement Committee takes the lead in receiving status reports on project progress and offering on-the-spot counsel and instruction. The Corporate Value Enhancement Committee is chaired by the president. General managers and deputy general managers of business divisions, the general manager of the Technology Division, the general manager of the Engineering Division, and the heads of related operational divisions in the Head Office serve as committee members, holding regular meetings twice a year.

**Internal Control Committee**

Considering the internal control systems to be vital tools for boosting the corporate value and securing the sustainable growth of the SMM Group, we have an Internal Control Committee to improve and oversee the operation of our internal control systems.

The committee operates with the president as chairman, the executive officer supervising the Internal Audit Department as the vice-chairman, and the general manager of the Internal Audit Department and other heads of related operational divisions in the Head Office as committee members to build, maintain, and improve internal control systems in the Group.

**Basic Policy and Procedures for Remuneration of Directors and Procedures for Remuneration of Audit & Supervisory Board Members**

**1) Basic Policy for Remuneration of Directors**

Remuneration for directors of SMM is linked to the business performance of the Company, and designed to motivate directors to achieve medium- to long-term goals, based on the business structure of the Company, so that it functions as a sufficient incentive to contribute to sustainable growth, increase the corporate value of the Group over the medium to long term, and to strengthen and maintain the management base. When determining the remuneration of individual directors, the amount of remuneration is calculated using a predetermined formula in order to ensure fairness, and the Company maintains a basic policy of setting remuneration at an appropriate level based on the responsibilities of each director.

Specifically, the remuneration for directors (excluding outside directors) shall consist of basic remuneration and bonuses. Basic remuneration shall consist of fixed remuneration (remuneration which is neither performance-based nor non-monetary) and performance-based remuneration, etc., while bonuses shall be performance-based remuneration, etc. Outside directors shall receive only basic remuneration and no bonuses. Basic remuneration is calculated on an annual basis for each individual and paid each month in monthly installments, while bonuses are paid once annually after approval is obtained at the Ordinary General Meeting of Shareholders.

Please refer to the corporate website below for further details.

[https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

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

The amount of basic remuneration 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 remuneration amount approved by the General Meeting of Shareholders.

**FY2020 Director and Audit & Supervisory Board Member Remuneration**

Officer Classification	Total Remuneration	Basic remuneration, etc.			Number of Officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	¥315 million	¥197 million	¥118 million	–	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	¥64 million	¥64 million	–	–	2
Outside directors	¥41 million	¥41 million	–	–	4
Outside Audit & Supervisory Board members	¥23 million	¥23 million	–	–	3

Note: In addition to the above, the Company paid ¥31 million as employee salary to two Directors concurrently serving as employees.

**Matters Related to Performance-based Remuneration**

The indicators employed by SMM to determine performance-based remuneration include consolidated results (profit attributable to owners of the parent, profit before tax), departmental results (return on assets [ROA], free cash flow, and segment income), the degree of attainment of personal targets under medium- to long-term management strategies, and safety record (number of occupational accidents). With regards to the reasons that these indicators have been selected, the Company’s consolidated results (profit attributable to owners of the parent, profit before tax) were chosen as the Company views these indicators as key measures of its corporate management performance, and has set profitability targets that it aims to achieve as part of its long-term vision. Performance indicators for departmental results (return on assets [ROA], free cash flow, and segment income) were selected in order to evaluate the three criteria of asset efficiency, cash flow, and absolute value of profit in a balanced manner. Regarding the degree of attainment of personal targets under medium- to long-term management strategies, we

believe that the steady implementation of plans with a medium- to long-term perspective is essential in order to increase our corporate value in a sustainable manner. Finally, regarding the setting of safety record as a performance indicator, we believe that securing a safe workplace is our operating foundation as a company engaged in the mining and manufacturing industries, including the smelting and refining industry.

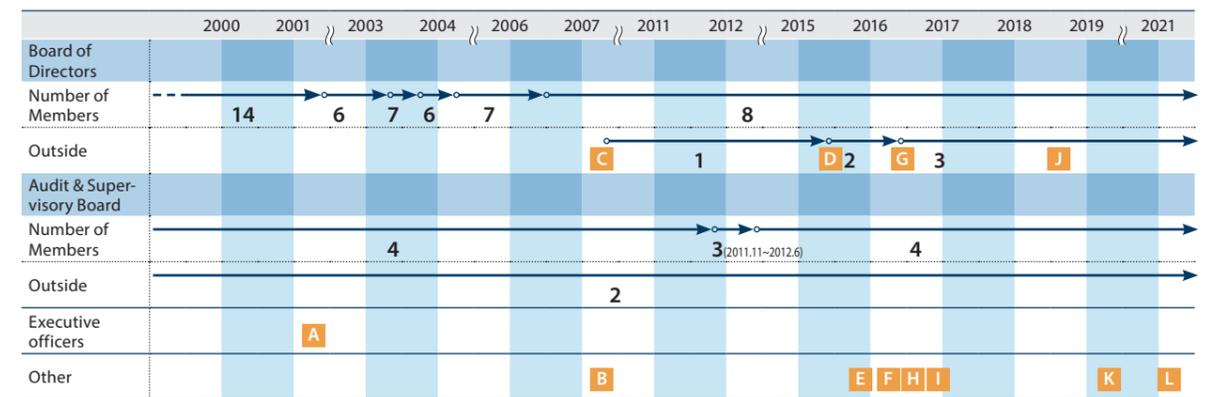
**Method of Determining Amount of Performance-based Remuneration, etc.**

The amount of performance-based remuneration, etc. is calculated by adding an amount reflecting individual performance to an amount of position-specific performance-based remuneration, etc.

For details on methods of calculation, please see “Method of Determining Amount of Performance-based Remuneration, etc.” in the Corporate Governance Report.

<https://www.smm.co.jp/en/ir/management/governance>

**Transitions in Governance at SMM**



- 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, with regard to particularly important matters relating to governance, including the nomination and remuneration of directors, 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 makes a point of making decisions.
- June 2018** Appointment of a female director **J**  
Appointed the Company's first female director (outside).
- September 2019** Appointment of the chair of the Governance Committee **K**  
Appointed outside director as chair of the Governance Committee
- June 2021** Abolition of the executive advisor system **L**

## Initiatives to Strengthen Governance

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

We continue to constantly review, improve, and deepen the current state of our corporate governance in light of legal revisions and social circumstances in order to achieve even better corporate governance. We are currently considering our response to the revision of Japan's Corporate Governance Code in June 2021.

## Overview of Evaluation of the Effectiveness of the Board of Directors

Each year, the Board of Directors prepares and conducts a questionnaire for the directors and Audit & Supervisory Board members with the cooperation of a third-party organization. As the FY2020 evaluation of the effectiveness of the Board of Directors was the sixth occasion on which such an evaluation had been conducted, SMM engaged Japan Board Review Co., Ltd, a third-party organization, to support the analysis and evaluation process. In the evaluation, questionnaires and interviews were conducted, and the third-party organization reported to the Board of Directors, including proposals for improving its effectiveness.

Based upon the overall results of the analysis by the third-party organization and the confirmation of what the Board of Directors should ideally be (aim to achieve a Board of Directors focused on decision-making function) conducted in FY2016, the Board of Directors deliberated on its own effectiveness and confirmed its evaluation and response going forward.

## Results of the FY2020 Evaluation and Future Initiatives

### 1) Answers to questionnaires and interview results

Most of the major items related to the effectiveness of the Board of Directors were rated highly in general.

In particular, it was found that (1) with regard to the "role and function of the Board of Directors," the aim of the Board of Directors to be "a Board of Directors that focuses on decision-making and performs a monitoring function through its decision-making" was sufficiently shared; (2) with regard to the "operation of the Board of Directors," the decision-making process was appropriate and allowed for sufficient discussion, as decisions were made following discussion at executive meetings (administrative meetings

and Management Committee meetings) and ultimately submitted to the Board of Directors for approval; (3) discussions conducted by the Board of Directors and the Governance Committee were open and active; (4) with regard to the "size and composition of the Board of Directors," the size and composition ratio were appropriate from the perspective of business size, active discussion, and decision-making, and that the member composition was appropriate in terms of knowledge and experience.

On the other hand, the analysis found that although deliberations by the Board of Directors regarding human resources (securing appropriate human resources, developing management personnel, advancing women's careers, etc.) were identified as an area for improvement in the FY2019 effectiveness evaluation, insufficient progress had been made in this area.

### 2) Issues identified from questionnaires and interview results (proposals for improvement by third-party organization)

(1) The Board of Directors should conduct deeper discussion of the medium- and long-term challenges for the Company (medium- to long-term direction and vision for the business, including Vision for 2030, as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

(2) The Company is currently working to increase opportunities for free discussion in order to facilitate deeper deliberation of such issues. Going forward the Company should continue working to conduct discussion in such formats at Board of Directors meetings or other forums.

### 3) Response to the above issues (deliberations at Board of Directors meetings)

(1) The Board of Directors confirmed that it will deliberate the medium- to long-term direction and vision for the business, including Vision for 2030 and where we want to be in the future, when setting basic policies in preparation for the formulation of business plans. Regarding the competitive environment, it was decided that each business division would report to the Board once per year on the Company's position from a marketing perspective. Regarding human resources, the Board of Directors confirmed that it would use the occasion of the review of the Company's personnel systems to deliberate on the matter. Regarding environmental and social initiatives, the Board of Directors confirmed that it will add important points from deliberations at CSR Committee meetings to the agenda of Board meetings as appropriate.

(2) Regarding the medium- to long-term challenges mentioned above, the Board of Directors confirmed that these matters will, in general, be discussed at Board of Directors meetings. However, depending on the topic, opportunities for free discussion outside of the Board of Directors meetings will also be made available.

Through the discussion and deliberation outlined above, the Board of Directors will further improve its effectiveness in an ongoing manner on the medium- to long-term challenges for the Company (medium- to long-term direction and vision for the business, including Vision for 2030 and future aspirations, as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

## Cross-shareholdings

When advancing our business strategy, SMM may engage in strategic shareholdings with business partners or other companies if it is judged that doing so will contribute to strengthening our business base over the medium to long term. With regard to existing cross-shareholdings, every year the Board of Directors verifies aspects such as the objectives of holdings and whether the benefits therefrom cover the Company's cost of capital. As a result of this verification, with regard to shares whose holding is judged to have little significance, including shares considered no longer worth the cost of capital and shares judged to have become less relevant to our business due to recent business changes, we will proceed with concrete consideration based on the premise of reduction. Furthermore, in cases where a company cross-holding SMM's shares expresses a desire to sell, we respond in a sincere manner with a view to proceeding with the sale.

With regard to the exercise of voting rights in cross-shareholdings, we determine whether to vote for or against each proposal after giving comprehensive consideration, based on the financial results and other aspects of the financial condition of each of the issuing companies, to matters such as whether each proposal will contribute to increasing the corporate value of that company over the medium to long term, and what impact it will have on the SMM's corporate value. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by losses that continue for a certain period of time.

## Takeover Defense Measures

SMM will not unconditionally reject a large-scale acquisition of the shares from the outset if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. Nonetheless, there are some forms of corporate acquisition that deteriorate the corporate value of the target company and the common interests of its shareholders. Further, tender offer regulations under the Financial Instruments and Exchange Act of Japan do not generally apply to on-market trading. Therefore, when any large-scale acquisition of shares is made in the market, sufficient time and information are not necessarily secured for the target company and its shareholders to consider the acquisition. In addition, the regulations do not fully eliminate the threat of abusive acquisitions of shares, such as coercive takeovers, since partial tender offers are permitted. In light of these and other factors, SMM has introduced takeover defense measures in the event that it receives a proposal for a large-scale acquisition of its shares. The aim of these measures is to enable the Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders or take other actions as necessary.

For further details, please refer to the relevant news releases for February 14 and 15, 2019.

WEB

[https://www.smm.co.jp/en/news/release/uploaded\\_files/190214-2E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/190214-2E.pdf)

[https://www.smm.co.jp/en/news/release/uploaded\\_files/190215-4E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/190215-4E.pdf)

# Tax Governance

## Basic Policy and Initiatives Related to Taxes

### Establishment and Announcement

The SMM Group comprehensively investigates and examines the relationships of its products to customers and local communities to develop business in a sustainable manner. Through sound corporate activities, we work toward the maximization of our after-tax profit and free cash flow to maximize corporate value and achieve our long-term vision.

As part of this, we also examine matters in terms of taxation, such as the status of tax treaties with countries where mines or plants are located, areas near key customers and markets, and countries where we do business. By continuing to comply with international tax standards and other related matters, and by fulfilling our tax filing and payment obligations appropriately and fairly, we will strive to coexist with local communities and countries where we do business.

Based on this thinking, the SMM Group formulated its Basic Policy on Taxes, which was established and announced on April 1, 2021 with the approval of the Board of Directors.

### Decision-Making Concerning Taxes, Oversight by the Board of Directors, and the Role of Audit & Supervisory Board Members

At SMM, an executive officer is responsible for the Finance & Accounting Department, which is in charge of taxes. The officer manages and oversees the daily execution of tax-related duties that are performed by the department staff.

We work to improve and operate our tax governance system, with the president and the Board of Directors playing roles as noted below.

- The Company has constructed, maintains, and properly operates an internal control system for work on financial results that enables the Group to carry out appropriate accounting work, reporting of results, and other tasks, including tax-related matters. The Internal Audit Department evaluates the effectiveness of the internal control system, and reports the results to the president.
- Tax filing and payment in the Group is handled at the level of individual companies, after confirmation of content by representatives of the companies. The Company files and pays income and other taxes as a company after approval by the president. When a tax audit is conducted, the executive officer in charge of the Finance & Accounting Department reports on the progress of the audit to the president. In cases in which additional payments or tax refunds arise due to differences with tax authorities in interpretations or opinions concerning laws and regulations, the matter is handled with the approval of the president.
- When making decisions on matters such as investment projects, the Group conducts examinations that include tax-related matters and risk assessments. Particularly important projects are taken up by the Board of Directors for approval.

When the president approves filing and payment of income or other taxes on behalf of the Company, Audit & Supervisory Board members review the documentation to confirm that filings and payments are properly managed within the Company.

### Initiatives for Tax-Related Compliance

See p. 104-105 for information on the Company's compliance promotion system and specific initiatives.

Compliance is the foundation of the Group's corporate activities. As a part of our compliance activities related to taxes, we conduct education for staff in charge of taxation and execute our business on the premise of compliance with laws and regulations.

### Tax-Related Information Collection and Initiatives Involving Government, etc.

Through our activities as a member of the Japan Mining Industry Association,\* we make inquiries, collect information on, and express opinions to governmental agencies with regard to matters such as industrial policy and tax reform.

When the Group encounters issues involving interpretations of laws and regulations or specific procedural matters, we work to properly carry out tax-related matters through prior inquiries and consultations with tax authorities and outside experts.

\*See the supplementary ESG Data Book 2021, p. 21.

## Sumitomo Metal Mining Group's Basic Policy on Taxes

### Basic Policy

Sumitomo Metal Mining (SMM) will, in the conduct of tax affairs associated with business activities, define the basic policy on taxes herein, pursuant to the SMM Group Corporate Philosophy that dictates "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."

In addition, SMM and all Group companies will make known to and instill in employees the activities that place importance on compliance focus, maximization of corporate value, and appropriateness and fairness.

### 1. Tax-related internal controls

At SMM and all Group companies, all persons (corporate officers including executive officers, and employees including fixed-term and temporary employees) engaged in considering or implementing tax-related business processes or individual transactions will share this Basic Policy and ensure tax transparency.

SMM and all Group companies will also seek to resolve tax issues for the entire Group and at each company, by maintaining a system that manages tax risk in each country and region and by business process and that shares information globally.

### 2. Compliance with tax laws, etc.

Business activities will be conducted in compliance with the tax laws, tax conventions, and other relevant laws and regulations applicable in each country and region, as well as tax-related standards and guidelines published by international institutions and others such as the Organisation for Economic Co-operation and Development (OECD).

### 3. Treatment as part of business activities

SMM and all Group companies will practice the tax studies and implementation related to any business process and transaction as part of business activities, since tax-related risk and tax expenses are closely linked to business processes and individual transactions arising from such business activities.

SMM and all Group companies will work to minimize global tax risk, such as double taxation related to business activities, through advance pricing arrangements with the tax authorities, consultation with outside experts, and other means. At the same time, SMM and all Group companies will seek to maximize corporate value and achieve its long-term vision, through proactive and constant efforts to utilize tax incentives and optimize tax expenses, tax payment periods, and other factors so that it can maximize after-tax profit and free cash flow.

However, the following types of transactions will not be practiced:

- 1) Transactions aimed solely at avoiding tax, such as transactions using tax havens; and
- 2) Transactions that avoid tax through the transfer of income in forms that clearly depart from the Group's business objectives and economic realities.

### 4. Response to transfer pricing

International transactions between SMM and all Group companies will be performed using arm's length pricing that is calculated based on methods reflecting the transaction details, industry practices, or functional and risk analysis. In conducting a functional and risk analysis of each transaction, there will be compliance with tax-related standards and guidelines published by international institutions and others such as the OECD.

### The arm's length pricing methods primarily applied:

- 1) Method based on market price according to an appropriate benchmark in line with industry practice; and
- 2) Method based on appropriate allocation of profits corresponding to the level of contribution founded on a functional and risk analysis.

### 5. Fair and appropriate tax

SMM and all Group companies will appropriately fulfill its tax payment obligations in compliance with applicable tax laws and other legal requirements at business activities in each country and region. In addition, SMM and all Group companies will seek to increase tax transparency and to build a constructive and fair relationship with the national or regional tax authorities.

### 6. Tax-related responsibilities and structure

SMM and all Group companies' tax activities will manage tax risks on a global basis and implement appropriate and fair tax treatments, subject to oversight by the executive officer in charge of SMM's Finance & Accounting Department, through the employees in charge of tax matters in the Finance & Accounting Department and the Group companies of relevant divisions operating in their respective countries and regions.

Moreover, employees with tax expertise will be assigned as necessary; and education and opportunities to increase tax knowledge will be provided to employees involved in tax considerations and implementation for business processes and individual transactions.

# Compliance

## Approach

The SMM Group places importance on compliance in business activities based on the SMM Group Corporate Philosophy and the SMM Group Code of Conduct. As expressed in the Code of Conduct, compliance at the SMM Group means that we go beyond just complying with laws, regulations, Articles of Incorporation, and our own rules, and work to fulfill the social and moral responsibilities demanded of us as a member of society through corporate activities. We continue to advance various initiatives based on this fundamental approach.

## Initiatives

### Initiatives to Take on Issues and Provide Improvements

In FY2020 we formulated the following Group-Wide Compliance Goal and compliance priorities, and promoted initiatives to reach these in each department.

#### FY2020 Group-Wide Compliance Goal

Zero compliance violations that may seriously damage business

#### Compliance priorities

- 1 Prevent recurrence of past compliance violations.
- 2 Create workplaces that can respond appropriately to compliance violations should any occur.

Also, the Compliance Working Group was convened in FY2020, confirming the following.

- The results of checking FY2020 compliance status show that there were no serious legal or regulatory violations, including cases of corruption or breaches of the Antimonopoly Act, regarding the environment, products, service, marketing, or taxes.
- Progress is being made toward achieving targets set by each division in accordance with the Group-Wide Compliance Goal and compliance priorities for FY2020.

Furthermore, in FY2020, with regard to the conduct of tax affairs associated with the SMM Group's business activities, we worked to formulate Group guidelines that place importance on compliance focus, maximization of corporate value, and appropriateness and fairness in accordance with the SMM Group Corporate Philosophy to make positive contributions to society and fulfill our responsibilities to stakeholders

through the performance of sound corporate activities, in order to win ever greater trust. The Sumitomo Metal Mining Group's Basic Policy on Taxes was established as the Basic Policy on April 1, 2021. (More detailed information on the Sumitomo Metal Mining Group's Basic Policy on Taxes is available on p. 103.)

To address the risk of serious violations of the law in our Group, we have established the following company regulations and are working to prevent legal violations.

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

### Initiatives on Export Control

Based on the regulations for export control, the SMM Group has established the Export Control Committee and strives for compliance with the Foreign Exchange and Foreign Trade Act and other laws and regulations related to exports. In FY2020, we held training on export trade control, security export control, and classification methodology for a total of 243 employees engaged in export-related work at SMM Group companies to explain the legal system and inform participants about the precautions to be taken in their work.

### Initiatives on Preventing Corruption

The SMM Group formulated the Basic Policies for Anti-Bribery and regulations for the prevention of bribery in April 2017. Revisions were made in April 2019, including the introduction of the prior approval system (a system that requires prior approval by an authorized person when seeking to provide benefits to public officials, etc. in certain cases in both Japan and overseas). In FY2020, we surveyed the status of implementation of the prior approval system introduced through the revisions at SMM Group companies during FY2019. The results of the survey confirmed there were no legal issues.

### Compliance with Competition Laws

In April 2019, the SMM Group formulated its Basic Policy for Compliance with Competition Laws and we have established regulations for observance of competition law based on this policy. We have also prepared a manual on competition with compliance laws covering the content of the Basic Policy and regulations. In FY2020, we launched new initiatives, such as considering the introduction of new internal systems based on the status of legal revision and enforcement in each country since April 2019. We will continue responding to the latest situation going forward.

### 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 internal reporting 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.

### Number of Consultations through the Speak Up System (FY2020)

Category	Number
Consultations related to harassment	8
Consultations related to human resources, labor management, and salaries	4
<b>Total</b>	<b>12</b>

All consultations were handled appropriately.

### Participants of Compliance Education (FY2020)

Type of seminar	Target	Participants
Compliance seminar for general managers	Officers	39
Compliance seminar for officers		
JCO Study Center training	Employees	448
Training for new employees		
Training for mid-career hires		
Seminar for newly promoted employees (section managers, E-class, S-class)		

### 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.

**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.
- We will strive to create a cheerful and broad-minded corporate atmosphere conducive to the smooth transfer of required information and the timely performance of reporting, liaison and consultation.

**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

## Policy

The SMM Group engages in risk management (RM) under the following Six Principles established for Maximizing Corporate Value.

- 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
- 6 Coordinate risk responses with other management systems

## Framework

### Risk Management Framework

The president as the person with the ultimate responsibility for risk management at the SMM Group 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 would cause serious damage if they materialize and require action across the entire SMM Group (SMM Group-Wide Serious Risks), a group-wide Crisis Management Framework has been built to appropriately respond to the damage and impact of these risks. Through repeated training we are enhancing our ability to respond to such situations.

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

## Initiatives

### Individual Risks and Daily RM Activities

Daily RM activities involve identifying and assessing individual potential risks, according to the change in the circumstances, and taking the appropriate action. These activities identify the risks, shown on the next page, at each site, resulting in more than 1,400 cases in total currently registered in the RM system. On a daily basis, as a means of reducing risk, in cases whereby 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. A periodical risk review is also undertaken during the RM Promotion Campaign every September.

### The FY2020 RM Policy and Activities

The FY2021 RM policy is the same as that prescribed in FY2019, "Identify and address risks that hinder executing the business plan and reaching its goals as usual work." The key RM activities are prescribed as "The business plan and risk countermeasures will be revised as appropriate using a PDCA cycle taking into consideration changes in the external environment (such as changes associated with the COVID-19 pandemic, the global push toward decarbonization, and increasingly severe natural disasters). In FY2020, as a particular risk hindering achievement of business plan goals, we tackled the risk posed by the spread of COVID-19. However, in the face of prolonged infection control measures, a variety of changes occurred, including a shift to teleworking. In addition, the push toward decarbonization is accelerating, and natural disasters such as storms and floods are becoming more severe. To prevent risks from materializing as a result of these changes, or to minimize the impact or damage when they do materialize, each of these changes must be managed appropriately. Through a process of PDCA, appropriate changes will be made to the approach used thus far, and after the changes have been made their effectiveness will be evaluated and further changes made as necessary.

In tandem with the infectious disease measures, activities are being led by top management to prevent issues such as compliance breaches, environmental accidents, occupational accidents, and quality issues, to ensure success and achievement of goals in new business and projects.

### Other RM Activities

Each site enacts measures against natural disasters, such as earthquakes, tsunamis, floods, soil 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 emer-

gency rations, maintain emergency supplies. In addition, each site engages in drills to prepare for earthquakes, fires, and environmental accidents, as well as terrorism, riots, and kidnappings at overseas locations. These drills are 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.

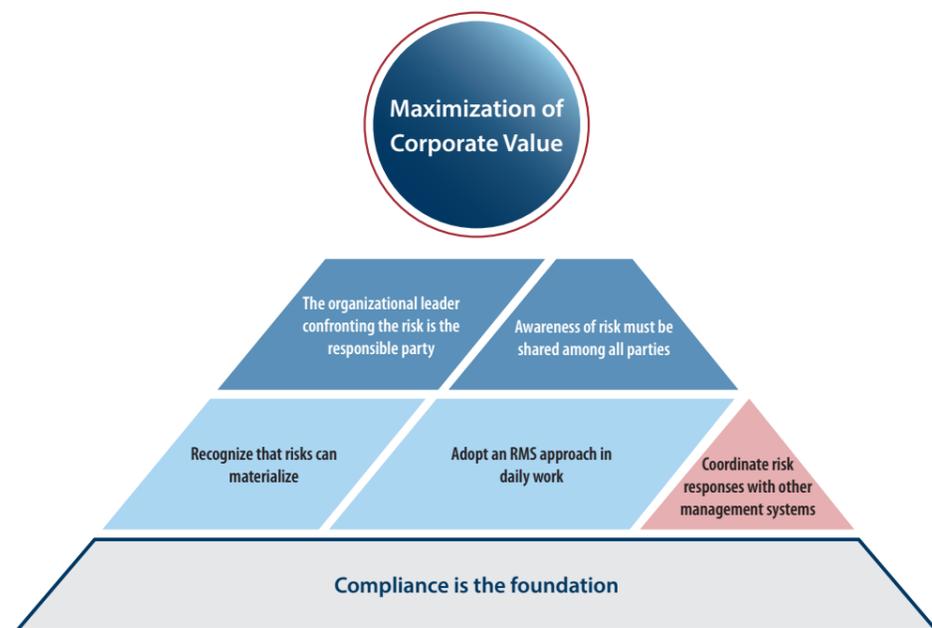
Measures for the COVID-19 pandemic included revision of the SMM business continuity plan (BCP), utilization of emergency supplies, measures to support expatriate employees and their families, limiting employee movement along with activities such as travel to and from work, business trips, postponing participation in meetings and events, working from home, and self-restraint in going out (staying at home). We implement drills to review the measures taken thus far and enhance our crisis response capacity through such means as improving manuals after verifying the content of each measure.

### Information Security Measures

At the SMM Group, information technology is a key component of our management structure. Thus, we see the threat represented by cyber security risks as a management risk. In addition to the above risk management activities, we implement the following measures in line with the Cybersecurity Management Guidelines of the Ministry of Economy, Trade and Industry.

- 1 **Defense against threats from cyberspace**  
Cybersecurity threats are becoming greater due to changes in the environment such as the increase in teleworking and use of cloud computing. We are working to move from conventional security measures to a framework that enables safe use of internal and external systems in any usage environment (Zero Trust network).
- 2 **Preventing leaks of personal information**  
We prevent leaks of personal information by stipulating company regulations on protecting personal information and selecting a manager responsible for protecting personal information.
- 3 **Preventing leaks of customer, third-party and company confidential information**  
Regarding the handling of digital files, leaks are prevented by strictly managing access to servers storing digital files, as well as by educating employees on information security. Also, particularly important information is protected by encryption.

Diagram of Six Requirements for Achieving the Purpose of Risk Management



### Main envisaged risks:

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

# Quality Assurance

## Approach

The SMM Group has established and operates a business model based on three-business collaboration between the Mineral Resources, Smelting & Refining, and Materials Businesses. Through this business model, we endeavor to continuously improve products and respond to changing customer needs in order to deliver quality that satisfies customers.

## Policy

To provide quality that satisfies customers, the president has established a Company-Wide Quality Policy and sets SMM Quality Objectives every year. Based on these standards, each business division sets forth and implements division-specific quality targets and conducts quality activities that are aligned across the entire SMM Group.

### 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

## Framework

We are promoting quality assurance under the ultimate responsibility of the president by designating officers responsible for quality assurance. Each business division develops and maintains their own quality assurance frameworks, while the Quality Assurance Department manages quality across the entire Group and ensures a Group-wide unified approach.

Additionally, not only does the Quality Assurance Working Group—which comes under the CSR Committee—deliberate key measures for promoting quality assurance activities, it works to improve the Group's quality management systems (QMS) through the sharing of information on progress toward departmental targets and quality control status, and reduce the number of complaints against the Company.

## Initiatives

### Improving Effectiveness of Quality Management Systems

The SMM Group has established and operates quality management systems (QMS) at each of its business divisions and business sites. To effectively operate those QMS, we have been conducting improvement activities based 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—while assessing these activities through internal quality audits and quality audits by the Quality Assurance Department—undertakes self-assessments of its level of quality achieved as of the end of the fiscal year. The effectiveness of QMS at business sites is continually being improved by setting new targets for the next fiscal year based on the results of these assessments and then conducting improvement activities.

The SMM Quality Standards are also revised each year to raise QMS to the level required by the Group so that we can deliver quality that satisfies customers.

### Strengthening of Our Internal Quality Audits

Based on the SMM Quality Standards, we are carrying out activities to achieve internal quality audits which work with a third-party-like perspective to identify potential internal issues from problems that have been found, and relay these findings to top management. We hold training to cultivate internal quality auditors at business sites in Japan, through which we have developed around 140 of such auditors to date. Since FY2020, we have been engaging some of these auditors to confirm the effectiveness of these audits through actual audits, and have been running a PDCA cycle for cultivating these auditors.

### Expansion of Group-Wide Quality Assurance Education

We are developing training based on our quality assurance education system that aims to give each level of employee, from new employees to managers, the necessary knowledge regarding quality and management ability. Since FY2019, we have been offering the *SMM Hinkaku*<sup>1</sup> program, an e-learning course for all employees that provides basic knowledge regarding quality, and we are constantly improving the content of this program.

1. Trainees learn the minimum level of knowledge and awareness regarding quality required for manufacturing and then their proficiency is graded through a test.

### 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 safety data sheets (SDS)<sup>1</sup>, 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<sup>2</sup>. 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 associations related to each metal.

### Communication with Customers

To raise customer satisfaction, we are starting by improving methods of measuring and evaluating customer satisfaction and then carrying out accurate and ample communication with customers to precisely identify issues and implement effective measures. We are also carrying out quality improvement activities that consider stakeholder perspectives to improve the yield of products, thereby 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. To achieve this, we will clarify risks and opportunities based on an understanding of situations gained through communication between internal and external parties, and then work to win the satisfaction of customers by improving the effectiveness of QMS through improvement activities that have the SMM Quality Standards as a foundation.

### 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.

## Messages from the Outside Directors

SMM has appointed three outside directors among its eight directors. We asked these outside directors to speak about the material issues in the Vision for 2030 that we formulated last year to achieve our Group's long-term vision, about the Company's progress toward those issues, and about their own expert assessments of our progress.



**Kazuhisa Nakano**

With a career that includes serving as president and chairman of Idemitsu Kosan Co., Ltd., Mr. Nakano has long involvement in company management and extensive knowledge and experience concerning the resources business. While the domestic market was maturing 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.

### Achieving the long-term vision requires organic coordination of SMM's vision with its 3-Year Business Plan.

I believe that our social mission is to contribute to society through the new sourcing and stable supply of non-ferrous metal resources.

The formulation of Vision for 2030 had a great significance in terms of organizing social issues that the Company should tackle in the future and sharing these issues with each other. However, I believe that the goal is to continue as the world leader in the non-ferrous metals industry.

These days, all companies are facing strong demands to address the SDGs. Looking back on our past, however, I

believe that we have tackled the social issues of every era, through what has truly been a history of putting the SDGs into practice.

There are of course also new issues like climate change that we have to tackle, but I think we can continue to move forward as we have, with confidence in our history.

The year 2021 will be a year for formulating our next 3-Year Business Plan. With our long-term vision as our aim, I believe it is important to organically link our fiscal year budget, 3-Year Business Plan, and vision, while working under the PDCA cycle, to tackle our plans as targets to be achieved.

We are a truly sustainable company that has amassed a 430-year history under our firm corporate philosophy.

While this is a strength, it can also lead to the weakness of

valuing the ways we have thought and done things in the past more than we value change.

To me, one of the roles expected of outside directors is to respond to changes in the business environment and to discuss things from diverse senses of value and perspectives.

People are the foundation of a company, and a business cannot stand if its people do not grow. Looking ahead, I hold high expectations for more active participation by women. Our number of female managers is still low, but I believe it will increase. While this will take time and investment, I see it as an urgent task in the securing and development of talented human resources.



**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, and also provides counsel to the Company regarding compliance. 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.

### To secure human resources, we must adopt a spirit of challenge and search for people far and wide.

SMM has long made efforts toward occupational health and safety and operates under the aspiration of reducing occupational accidents to zero, but unfortunately we have not fully achieved that goal. In recent years, we have supplemented training with continued efforts to prevent accidents and incidents by strengthening equipment in terms of safety and by making use of DX. To help achieve results in this area, even gradually, I hope to provide advice based on my long involvement with personnel and labor. Regarding the issue "Employees' Occupational Health and Safety," both mental and physical aspects are important. The results of our employee awareness survey and other tools show that the level of stress among our

employees is lower than at other companies; as such, I believe that we are maintaining good health and safety.

The promotion of female activation is an issue for the goals of "Diverse Human Resources" and "Development and Participation of Human Resources." Along with initiatives carried out little by little over time, such as training for female employees and the setting of various numerical targets for the number of women in the Company, we have established ambitious programs such as allowing a return to work by employees who resigned for reasons of nursing care, childbirth, or accompanying a spouse on work relocation. However, SMM was slow to begin hiring women due to our history of involvement in the mining industry, and we still have progress to make in appointing female managers.

In formulating our next 3-Year Business Plan, I will be stressing the securing and developing of human resources. As a B2B

company, we first have to make efforts to become known. I also talk about the need to cast a wide net for human resources, accepting mid-career hires along with new graduates. In hiring, too, we need to adopt a greater spirit of challenge instead of sticking to the methods of the past. As there has been little progress in terms of institutional reforms in securing human resources and in developing and making the most of human resources as stated in the 2018 3-Year Business Plan, I think this will be an issue in the next Plan as well.

Our Board of Directors is more of a management-oriented than a monitoring-oriented Board. I believe that outside directors, even if a minority, bear the role of putting forth ideas based on a sense of values that differ from those inside the Company. I hope to continue helping the Board of Directors fully carry out its functions through vigorous debates.



**Manabu Kinoshita**

Serving in positions including Senior Executive Vice President of NEC Corporation, Mr. Kinoshita has extensive knowledge and experience in corporate management and digital businesses. The Company expects that he will offer counsel making use of his knowledge in the digital sector and his experience with developing solutions through joint value creation together with other industries. He has served as an outside director at SMM since 2020.

### Solving social issues requires co-creation with customers and improvement of our adaptability to change.

A material issue in Vision for 2030 is "Engagement with Stakeholders." I want to first focus on the customers that are our stakeholders. With the advent of digitalized society and carbon-free society, the need for non-ferrous metals is growing and opportunities for SMM to contribute to society are expanding. To capture changes as opportunities and achieve social value, we have to leverage our strength to create value together with customers—that is, co-creation with customers. For that reason, we must increasingly take a stance of adapting to change and proactively considering what will benefit customers. Under our "Human Rights in the Supply

Chain" initiative, we have applied human rights due diligence to suppliers. To clarify our response to a wider range of social issues, we also established a Responsible Sourcing Policy. In mine development, we engage earnestly in activities to gain the understanding of indigenous peoples and local residents. I hold the Company's stance of seeking "Co-Existence and Mutual Prosperity with Local Communities" in high regard.

As we now formulate our next 3-Year Business Plan, I believe that co-creation with customers and the promotion of DX will be indispensable in making the plan a reality. Our corporate culture is one of seriousness and integrity, backed by history and tradition. Because of the age and stability of that history, however, I feel that employees capturing changes, thinking proactively, and speedily taking action is still a step ahead of us. To accelerate our adaptation to change, we will also have to enhance mobility

within the Company through human resource system reforms, which will lead to activation of our corporate culture. DX is an effective means for achieving this. I would like to see young people show motivation in drawing up growth strategies, such as changing work styles through the use of DX and reforming business models through co-creation with customers.

At Board of Directors meetings, directors and Audit & Supervisory Board members openly and frankly express opinions, which ensures fairness and transparency. In addition to the role of monitoring, outside directors are required to take responsibility for the outcomes of management, along with the management team. In executing the PDCA cycle for strategy, I believe it is increasingly important that we not only draft strategy but also have timely discussions of issues that have become apparent in the process of execution.

# Directors and Audit & Supervisory Board Members (As of June 25, 2021)

## Directors



**Yoshiaki Nakazato**  
Chairman and Representative Director  
Number of shares of the Company owned: 26,200

Born: 1953  
Apr. 1976 Joined the Company  
Jun. 2005 Executive Officer  
Jun. 2006 Director  
Jun. 2008 Managing Executive Officer General Manager of Advanced Materials Div.  
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)



**Akira Nozaki**  
President and Representative Director  
Number of shares of the Company owned: 16,500

Born: 1960  
Apr. 1984 Joined the Company  
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)



**Nobuhiro Matsumoto**  
Director, Managing Executive Officer, General Manager of Non-Ferrous Metals Div.  
Number of shares of the Company owned: 4,800

Born: 1963  
Apr. 1987 Joined the Company  
Apr. 2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.  
Jul. 2013 Administration Dept., Non-Ferrous Metals Div.  
Jun. 2014 General Manager of Administration Dept., Non-Ferrous Metals Div.  
Jun. 2016 Executive Officer 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)  
Jun. 2020 Managing Executive Officer (Present Position)



**Toru Higo**  
Director, Managing Executive Officer, General Manager of Corporate Planning Dept.  
Number of shares of the Company owned: 4,700

Born: 1961  
Apr. 1986 Joined the Company  
Jul. 2010 General Manager of Nickel Sales & Raw Materials Dept., Non-Ferrous Metals Div.  
Jul. 2014 General Manager of Copper & Precious Metals Raw Materials Dept., Non-Ferrous Metals Div.  
Jun. 2017 Sumitomo Metal Mining Philippine Holdings Corporation, Director and President  
Jun. 2019 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2020 Director of the Company (Present Position) General Manager of Corporate Planning Dept. (Present Position)  
Jun. 2021 Managing Executive Officer (Present Position)



**Takahiro Kanayama**  
Director, Managing Executive Officer, General Manager of Personnel Dept.  
Number of shares of the Company owned: 2,800

Born: 1963  
Apr. 1986 Joined the Company  
Oct. 2015 General Manager of Personnel Dept.  
Jun. 2017 Executive Officer General Manager of Besshi-Niihama District Div.  
Jun. 2020 General Manager of Personnel Dept. (Present Position)  
Jun. 2021 Director (Present Position) Managing Executive Officer (Present Position)



**Kazuhisa Nakano**  
Outside Director  
Number of shares of the Company owned: 2,500

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.



**Taeko Ishii**  
Outside Director  
Number of shares of the Company owned: 0

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)



**Manabu Kinoshita**  
Outside Director  
Number of shares of the Company owned: 0

Born: 1954  
Apr. 1978 Joined NEC Corporation  
Apr. 2006 Executive General Manager, Distribution and Service Industries Solutions Operations Unit of NEC Corporation  
Apr. 2008 Associate Senior Vice President of NEC Corporation  
Apr. 2010 Senior Vice President of NEC Corporation  
Jun. 2010 Director of NEC Corporation  
Apr. 2016 Senior Executive Vice President of NEC Corporation  
Apr. 2018 Senior Officer of NEC Corporation (Present Position)  
Jun. 2020 Director of the Company (Present Position)

1. The number of shares of the Company owned is as of May 31, 2021.

## Audit & Supervisory Board Members



**Yasuyuki Nakayama**  
Audit & Supervisory Board Member (Standing)  
Number of shares of the Company owned: 4,100

Born: 1959  
Apr. 1982 Joined the Company  
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 Materials Div. Audit & Supervisory Board Member (Standing) (Present Position)



**Wataru Yoshida**  
Outside Audit & Supervisory Board Member  
Number of shares of the Company owned: 0

Born: 1952  
Apr. 1975 Joined Export-Import Bank of Japan  
Apr. 2001 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)  
Nov. 2002 Director of Personnel Department of JBIC  
Oct. 2004 Executive Officer for Asia and Pacific Region of JBIC  
Apr. 2007 Senior Executive Director of JBIC  
Sep. 2008 Resigned from Senior Executive Director of JBIC  
Feb. 2009 Corporate Advisor of Marubeni Corporation  
Feb. 2016 Resigned from Corporate Advisor of Marubeni Corporation  
Mar. 2016 Corporate Advisor of NIPPON STEEL CORPORATION (which was NIPPON STEEL & SUMITOMO METAL CORPORATION) President and Representative Director of Nippon Usiminas Co., Ltd.  
Dec. 2019 Resigned from Corporate Advisor of NIPPON STEEL CORPORATION Resigned from President and Representative Director of Nippon Usiminas Co., Ltd.  
Jun. 2020 Audit & Supervisory Board Member of the Company (Present Position)



**Koji Imai**  
Audit & Supervisory Board Member (Standing)  
Number of shares of the Company owned: 1,200

Born: 1962  
Apr. 1986 Joined the Company  
Jun. 2014 General Manager of Legal & General Affairs Dept.  
Jun. 2019 General Manager of General Affairs Dept.  
General Manager of Legal Dept.  
Jun. 2021 Audit & Supervisory Board Member (Standing) (Present Position)



**Shoji Wakamatsu**  
Outside Audit & Supervisory Board Member  
Number of shares of the Company owned: 0

Born: 1953  
Sep. 1983 Joined Ota Tetsuzo Audit Firm (current Ernst & Young ShinNihon LLC)  
Mar. 1987 Registered as a certified public accountant  
Jul. 2003 Partner of ShinNihon Audit Firm (current Ernst & Young ShinNihon LLC)  
May 2006 Board Member of ShinNihon Audit Firm  
Aug. 2008 Managing Partner of ShinNihon LLC (current Ernst & Young ShinNihon LLC)  
Aug. 2010 Senior Partner of ShinNihon LLC  
Jun. 2016 Left ShinNihon LLC  
Established Wakamatsu Certified Public Accountant Firm  
Sep. 2019 Registered as a certified public tax accountant  
Jun. 2021 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

### Managing Executive Officers

- 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.
- Isao Abe**  
General Manager of Battery Materials Div.
- \* **Toru Higo**  
General Manager of Corporate Planning Dept., in charge of Legal Dept., and Internal Audit Dept.
- \* **Takahiro Kanayama**  
General Manager of Personnel Dept., in charge of General Affairs Dept., Public Relations & Investor Relations Dept., CSR Dept., Human Resources Development Dept., and Osaka Branch
- Ryoichi Sato**  
General Manager of Mineral Resources Div.

### Executive Officers

- Kazunori Takizawa**  
General Manager of Advanced Materials Div.
- Hiroshi Yoshida**  
Senior Deputy General Manager of Advanced Materials Div.
- Masaru Tani**  
Senior Deputy General Manager of Mineral Resources Div.
- Hitofumi Okubo**  
Senior Deputy General Manager of Engineering Div.
- Koji Sakamoto**  
Senior Deputy General Manager of Battery Materials Div.
- Shuichi Ogasawara**  
General Manager of Technology Div.
- Hiromasa Oba**  
General Manager of Besshi-Niihama District Div.
- Katsuya Tanaka**  
Senior Deputy General Manager of Battery Materials Div.
- Masaru Takebayashi**  
Senior Deputy General Manager of Non-Ferrous Metals Div.
- Kunihiko Miyamoto**  
General Manager of Finance & Accounting Dept., in charge of Secretarial Dept., Purchasing Dept., and Information Systems Dept.
- Hideyuki Okamoto**  
Senior Deputy General Manager of Technology Div.