

# The Sumitomo Business Spirit and the SMM Group Corporate Philosophy

## The Sumitomo Business Spirit

### Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

### Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

(Quoted from the Sumitomo Goshi Kaisha Administrative Regulations, named “Summary of Business Operations”, formulated in 1928)

## SMM Group Corporate Philosophy

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.

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.

## SMM Group Management Vision

By improving technical capabilities, we shall fulfill our social responsibilities as a manufacturing enterprise.

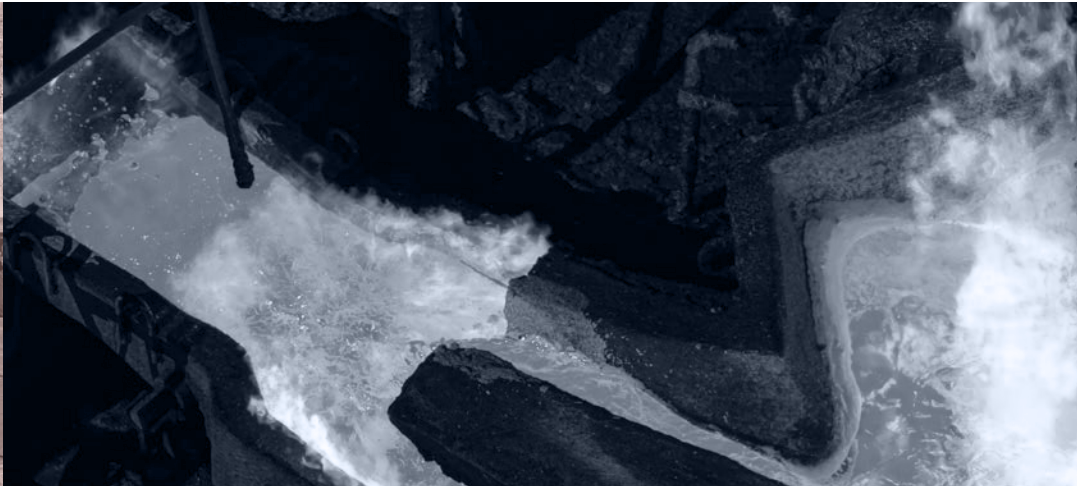
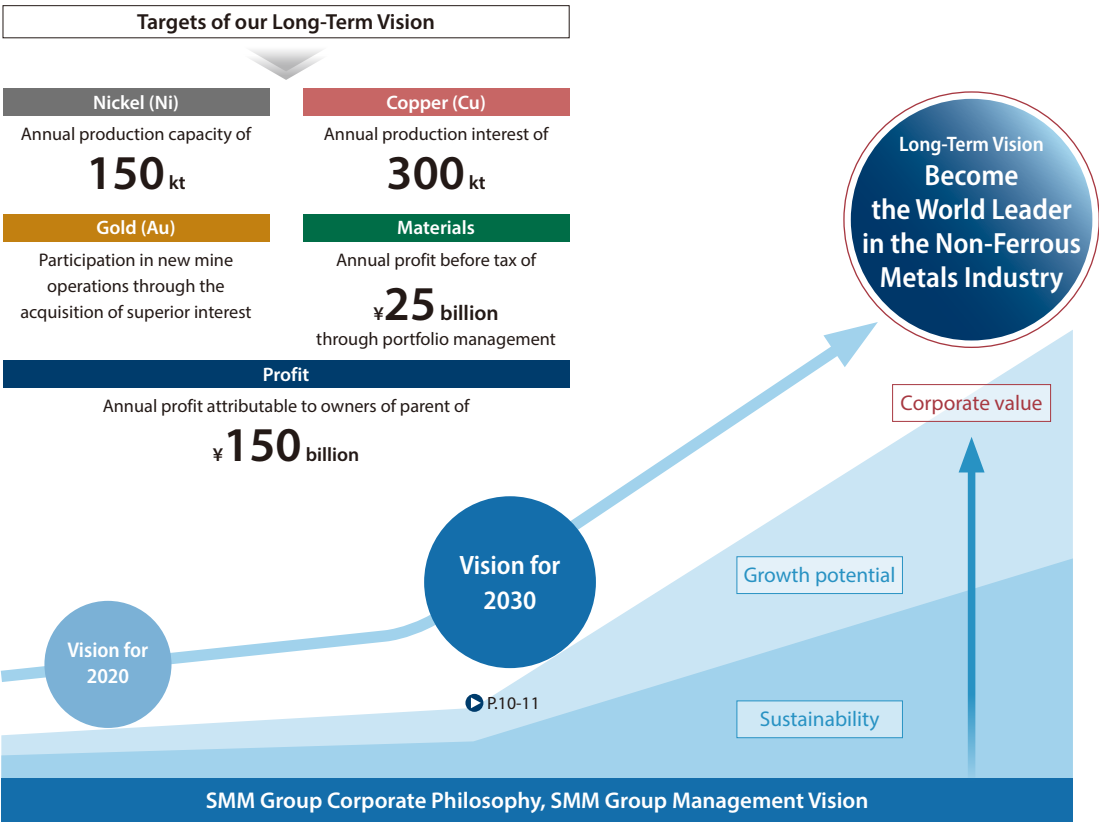
Based on the principles of compliance, environmental protection and operational safety, SMM Group shall pursue maximum corporate value through the securing of resources and the provision of high-quality materials such as non-ferrous metals and advanced materials via its global network.

# Long-Term Vision

## Become the world leader in the non-ferrous metals industry

### As the world leader in the non-ferrous metals industry we are aiming to

- Have a global presence in terms of mineral resource interests and metal production volumes (= be in the global top five)
- Have leading technology and a unique business model that cannot be easily emulated by other major mineral resource companies
- Grow sustainably and stably produce a certain amount of profit
- Actively tackle social issues such as the SDGs
- Have employees work with spirit



Drawing on its corporate philosophy and management vision, the SMM Group will expand its growth potential and sustainability by securing resources and providing non-ferrous metals, battery materials, advanced materials, and other high-quality materials in an effort to enhance its company value and achieve its long-term vision of becoming the world leader in the non-ferrous metals industry.

We formulated Vision for 2030 as a milestone toward the realization of these initiatives, which will also contribute to the formation of a sustainable society.

Overview of Vision for 2030

Vision for 2030 specifies the concrete KPIs and deadlines toward achieving our long-term vision of becoming the world leader in the non-ferrous metals industry.

Based on our assessments and reflections regarding Vision for 2020, we sorted out the issues we must respond to and the ones we are expected to solve as issues that must be addressed by our Group, including social issues such as the

SDGs which have the same target year. As a result, we identified 11 material issues.

In addition, Vision for 2030 and KPIs were deliberated for these 11 material issues, and formulated and released in March 2020.

\* Material issues, Vision for 2030 and KPIs: See P.86-87

Relationship with the SDGs

Recognizing the close affinity between the SDGs and our Group's corporate philosophy and vision, we formulated our Vision for 2030 with the SDGs kept firmly in mind. The results of our work to evaluate issues and connect them with SDG

targets are shown in the diagram below. We set the 12th SDG, "responsible consumption and production," as our most important goal, as this goal indicates our approach toward all issues and directly connects to our management vision.

Diagram of Relationship with the SDGs



The numbers 1 to 11 in the diagram indicate material issues in Vision for 2030. See P.86-87

Material Issues and Their Background

1 Effective Use of Non-Ferrous Metal Resources

A company that generates resources through high technological capabilities

The SMM Group is engaged in the mining of natural resources, the production of highly advanced materials, and everything in between. We handle a wide range of non-ferrous metal materials in the process. We believe that it is the SMM Group's responsibility to take on the challenge of making more effective use of limited non-ferrous metal resources without waste through the utilization of resources that could hitherto not be used due to technical obstacles and through the development of recycling technologies.

2 Climate Change

A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)

Society's demand for companies to reduce greenhouse gas (GHG) emissions has increased dramatically, and the business risks associated with climate change are also increasing. On the other hand, a stable supply of products contributing to a low-carbon society, such as the secondary battery materials for electric vehicles and the near-infrared absorbing materials both produced by our Group, are expected to contribute to the reduction of GHG emissions.

3 Significant Environmental Accidents

4 Biodiversity

A company that values water resources and biodiversity, and protects the richness of the sea and land

The SMM Group recognizes that there are risks of adverse impacts on the natural environment when developing natural resources and using chemical substances. In addition to preventing significant environmental accidents, we recognize that minimizing our negative environmental impacts, including rationalization the use of water, and preserving biodiversity in our day-to-day management of operations are prerequisites for business continuity.

5 Employees' Occupational Health and Safety

A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations

It is the responsibility of management to prevent work-related accidents and illnesses, provide a safe, healthy and comfortable work environment, and strive to improve employee comfort. All of these also lead to greater motivation and productivity among employees. The SMM Group bases management on job classification, striving to ensure the safety and health of our employees through intrinsic equipment safety improvements and safety education.

6 Diverse Human Resources

7 Development and Participation of Human Resources

A company where all employees can take a vibrant and active part

The source of the SMM Group's growth is its employees. We respect individuality and diversity, and aim to create an open and vibrant organizational climate in which everyone can demonstrate their strengths and thrive. With the globalization of business and the rapid development of DX, it is a management challenge to develop human resources who can think and act on their own initiative based on their expertise.

8 Engagement with Stakeholders

9 Co-Existence and Mutual Prosperity with Local Communities

10 Rights of Indigenous Peoples

A company that is appreciated and understood to be the world leader in non-ferrous metals

A company that contributes to regional development and earns trust as a member of the local community

A company that understands and respects the traditions and culture of indigenous peoples

The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.

11 Human Rights in the Supply Chain

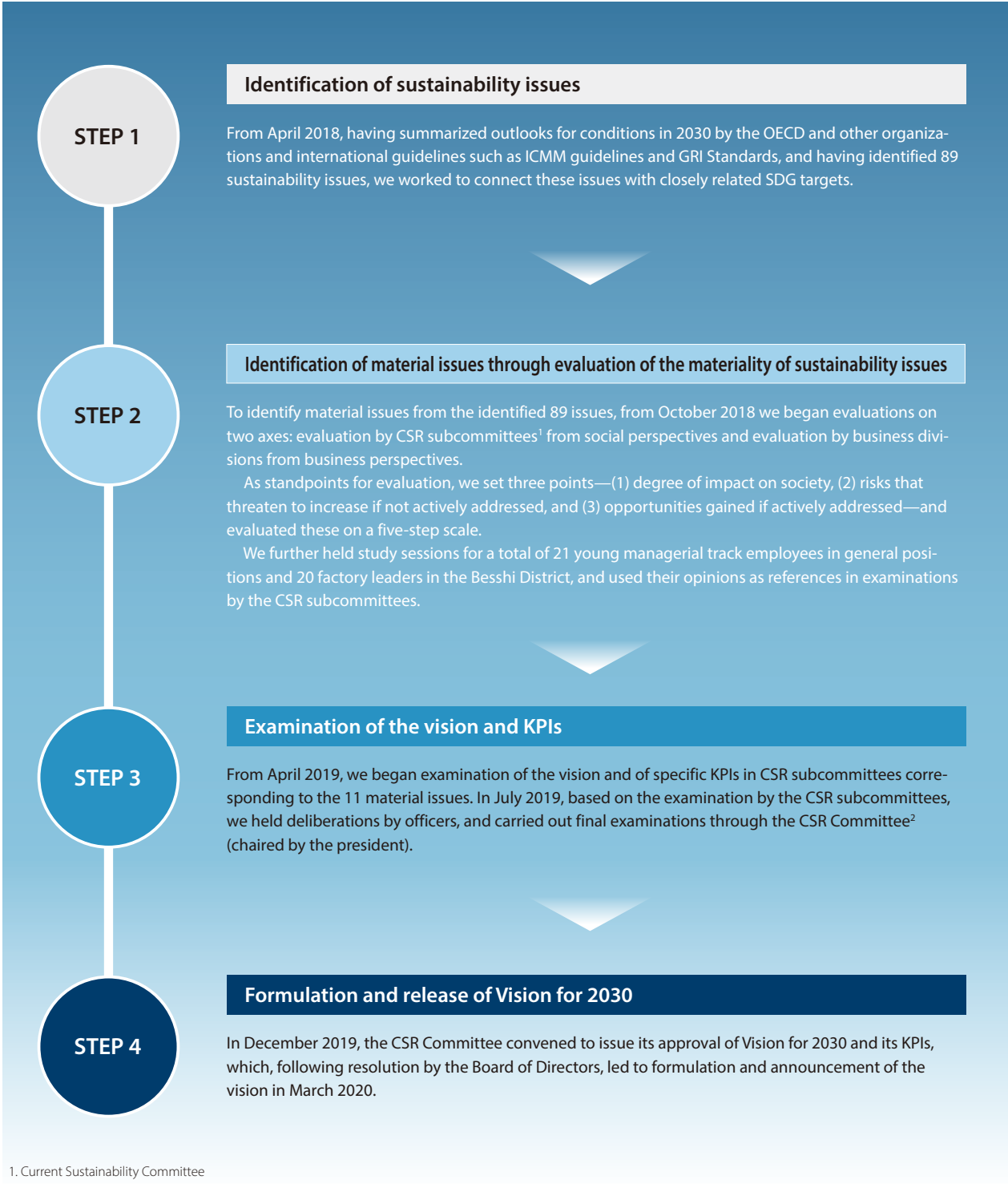
A company that undertakes sustainable procurement across the supply chain

As for Business and Human Rights, the calls for companies to take strong measures to prevent human rights violations throughout their supply chains are increasing. It is necessary for the SMM Group to construct sustainable supply chains in collaboration with business partners to prevent our business activities from having negative impacts on human rights along our diverse supply chains.

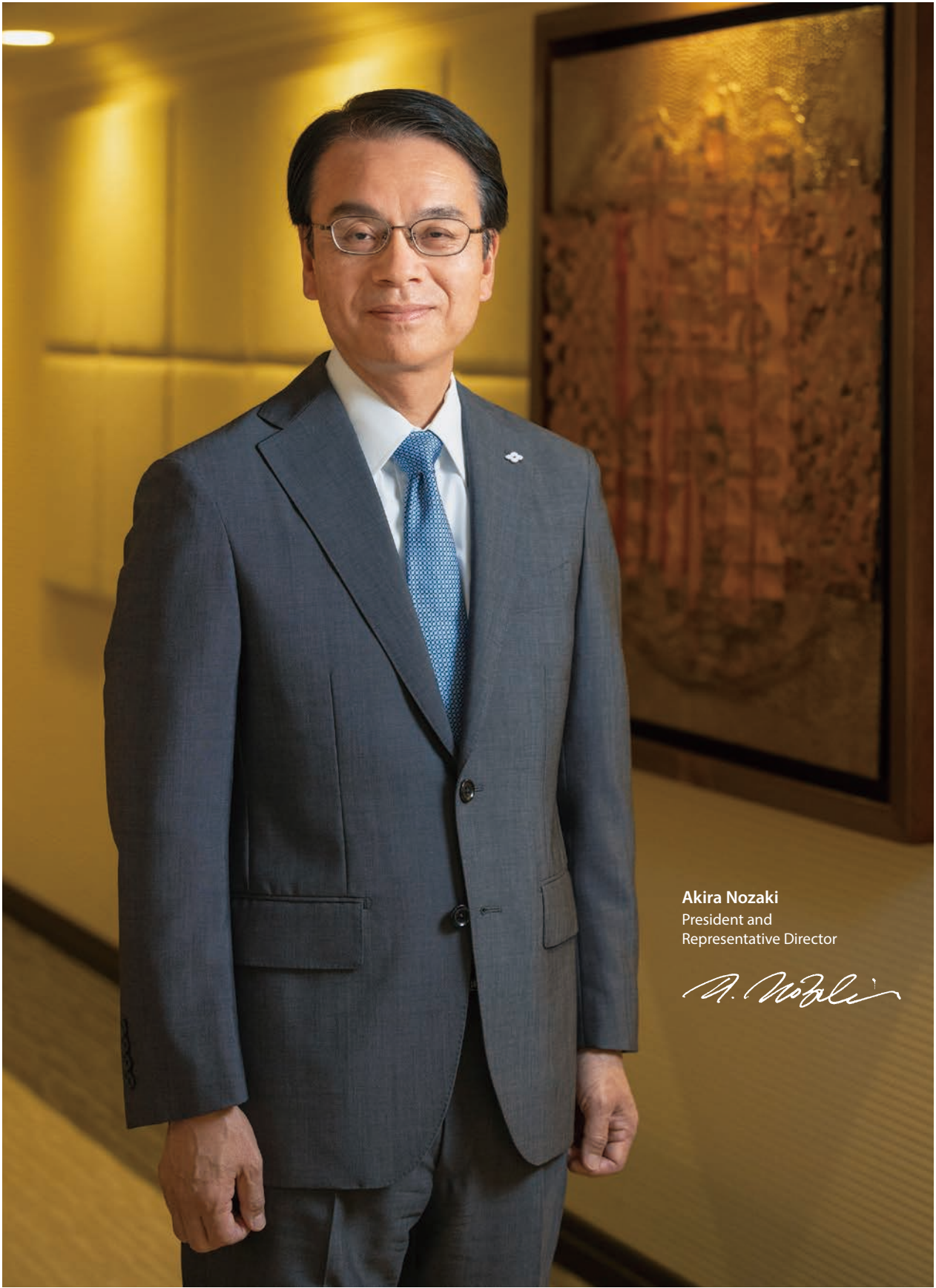


# Vision for 2030 – Formulation Approach

To formulate Vision for 2030 and achieve sustainable value creation, we undertook a full change revision of the Vision for 2020. The revision addressed issues remaining from Vision for 2020, the changes to the needs of stakeholders (our response to climate change, business and human rights, etc.), changing trends in the materials industry with the rapid development of digitalization, and connections to the SDGs, which have the same target year of 2030. As shown in the figure below, we underwent an extensive process of deliberations that involved the input of everyone from officers to employees, as well as outside experts as needed.



# Message from the President



Akira Nozaki  
President and  
Representative Director

*A. Nozaki*

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Continuous Pursuit of Changes

A Company Grounded in Production

For more than 430 years, as a company grounded in production the SMM Group has embraced a social responsibility to provide customers with a stable supply of products indispensable to people’s lives, and this social commitment has been the steady driving force behind our business operations. Throughout its long history, the Company has always met the challenge of flexibly responding to changing times. All too frequently, dramatic changes have taken place in SMM’s business environment, yet at all times the Company has weathered even the roughest circumstances by continuously pursuing internal changes. “Change” is thus one of the constant characteristics defining the SMM Group’s history.

As a company grounded in production, there are many aspects that must be maintained at all times. Nothing can be maintained, however, merely by aimlessly repeating again and again what was done in the past. In all facets of business – including how business is operated, its organization and systems, how work is carried out, etc. – initial purposes are lost and original functions erode in importance with the passage of time. Simply maintaining the status quo inevitably leads to atrophy: ongoing changes are necessary in order to retain what needs to be retained. The SMM Group is committed to actively and dynamically implementing changes to enable it to fulfill, long into the future, its inherent social responsibility as a company grounded in production.

The Sumitomo Business Spirit

At the start of 2023, I notified employees throughout the Group of the Company’s policies for the new year. One is a precept incorporated into the Rules Governing the House of Sumitomo set down during the Meiji Period (1868-1912): “Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times.” These words constitute a philosophy that is still as relevant today as back then: Sumitomo must at all times be keenly alert to the shifting trends of society that come with changing times, and, never resting on its laurels, must continually respond to the circumstances presented to it. I believe that today we need to renew our awareness of this time-tested philosophy and spirit, and in undertaking the Company’s management I aim to respond as necessary to the needs of every era through pursuit of ongoing changes.

Long-Term Vision and “Vision for 2030”

The SMM Group’s Long-Term Vision calls for the Company to become “the world leader in the non-ferrous metals industry.”

To achieve this long-range goal, we believe SMM must satisfy the following defining qualifications: have a global presence; possess leading technologies; own a unique business model; produce profits of a certain amount; tackle social issues such as the SDGs; and be a company where employees work vibrantly and with spirit.

In our “Vision for 2030,” which we formulated in 2020, we identified 11 “Material Issues” of major importance that the Company needs to address from both the social and business perspectives. Included among these issues are several that are garnering increased attention in years, especially climate change, biodiversity, human resources, and human rights. Going forward, we will continue our quest to become the world leader in the non-ferrous metals industry by firmly addressing these issues through ongoing pursuit of positive changes.

Creating Workplace Environments Conducive to Pursuit of Changes

To support our quest to achieve workplace environments in which employees can work vibrantly and innovatively, in fiscal 2021 we launched a program of renewal at the Company’s Head Office. This agenda was completed in April 2023. By achieving a more creative workstyle and serving in a role that promotes changes, the Head Office will take the lead in pursuing greater value of the SMM Group as a whole, paving the way toward becoming the world leader in the non-ferrous metals industry.

Outside the Head Office, the Company is looking to construct a new dormitory for employees in the Besshi District and to renovate the general office in the Harima District. In addition, we intend to create employee housing at affiliated companies, proactively carry out renovations at workplaces, improve employee productivity and creativity, secure young human capital, and create growth opportunities. Since August 2022, we have also been taking steps to promote Health Management.

An Open and Vibrant Organizational Climate

An open and vibrant organizational climate is indispensable for achieving changes and continuously taking up new challenges targeting growth. Being “open and vibrant” is a value closely aligned with the Sumitomo Business Spirit, but up to now the vagueness of this wording resulted in a wide range of interpretations. To remedy this shortcoming, we are now working to redefine the “open and vibrant organization” we aspire to, and to win clear understanding among all employees. Our goal is to nurture a culture and climate in which, rather than seeking to avoid mistakes or failures, employees will feel open and vibrant and continuously take up new challenges.

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Progress of the 2021 3-Year Business Plan’s 4 Challenges

Our 2021 3-Year Business Plan, which got underway in fiscal 2022 with a central focus on “changes,” incorporates four major challenges.

Challenge 1 Increasing corporate value: Promotion of large-scale projects

Expanding production capacity for battery cathode materials

Aiming to increase our production capacity in battery cathode materials by 2,000 tons per month by the end of fiscal 2025, we are currently making steady progress in construction of a new plant. We have also begun securing and developing the personnel who will be needed when the plant goes onstream, and we are taking steps to improve our production infrastructure through measures such as reducing our inventories. We have also introduced the Toyota Production System at some of our manufacturing bases. Because demand for battery cathode materials is projected to continue expanding going forward, to increase our production capacity we are presently considering making investments at the optimal times and in optimal locations. We also continue to mull a new mass production process for battery cathode material of lithium iron phosphate (LFP).

Message from the President



Quebrada Blanca 2 (QB2) Project

In March 2023 we began production of bulk copper concentrate with feeding of ore into the key facilities. Presently, we are gradually increasing the facilities’ operating ratios in the run-up to achieving full production by year’s end. Although construction was delayed amid the pandemic and investment outlays have increased beyond initial projection, once QB2 achieves full production, SMM’s copper interest will reach 280,000 tons per year, which will come very close to the target of 300,000 tpy which we set in our Long-Term Vision. As the QB2 project is expected to have outstanding cost competitiveness and to generate increased mineral resources in the future, we are greatly looking forward to its completion.

Côte Gold Project

Construction work is proceeding generally on schedule in preparation for the launch of production early in 2024. Here too, construction delays and investment cost increases were incurred mainly under the impact of the pandemic, but because high expectations are held for expansion in resources, including in the surrounding areas, we are looking forward to nurturing this excellent project in partnership with IAMGOLD Corporation.

Challenge 2 Improving core business sustainability

To strengthen the value chain of collaboration among our three core businesses (nickel to battery materials), which is our corporate strength, we are taking steps to secure nickel resource supplies and implementing measures to enhance the links among our businesses. To secure new sources of nickel ore, we are accelerating our studies of potential new projects to replace the Pomalaa Project which we decided in April 2022 not to pursue any further. As of now, we have pared down the candidates to a few projects mainly around the Pacific Rim. We are also working to procure diverse materials: for example, by securing intermediate materials currently on the market. In addition, at existing smelting locations at Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL), both in the Philippines, we continue our search to secure ore primarily through exploration of their surrounding areas.

Concerning our recycling initiatives, engineering work is fully underway on a facility capable of processing 10,000 tons of spent lithium-ion secondary batteries per year. Also, in April 2022 our processing facility was selected as a Green Innovation Fund Project sponsored by the New Energy and Industrial Technology Development Organization (NEDO).

At the Hishikari Mine, we are shifting to sustainability-oriented operations reflecting the mine’s 100-year life expectancy commencing from its inauguration in 1985. In fiscal 2022 we sold 4.4 tons of gold from the mine, as originally planned. As stewards of this prized asset of Japan, we believe we have a duty to make effective and complete use of the Hishikari Mine’s resources as our way of contributing to the local area through the long term.

In our operations in advanced materials, SMM is also developing business operations that will contribute to social

digitalization and decarbonization. In silicon carbide (SiC), we continue preparations toward achieving mass production for use in vehicles in 2025. In addition, operations in CWO®, our near-infrared absorbing material expected to achieve further growth in the years ahead, are getting underway in earnest, and through X-MINING®(cross-mining), our information messaging website, we are accelerating activities in partnership with our customers to create new businesses based on jointly developed ideas.

Challenge 3 Adapting to changes in the social environment

In our efforts to achieve carbon neutrality, during fiscal 2023 we plan to announce a roadmap for achieving net zero by 2050. In fiscal 2022, utilizing the internal carbon pricing (ICP) system, we promoted energy conversion to LNG in the production processes of our smelting and refining operations at the Toyo Smelter & Refinery, Niihama Nickel Refinery, and elsewhere, while overseas we made progress in converting to biomass mixed boiler fuel at CBNC. At the Hishikari Mine and Harima Refinery, we proceeded with conversion to purchasing of renewable energy-fueled electric power, and at our overseas joint-venture mines we collaborated with our business partners in promoting a shift to purchases of renewable energy. In our business activities also, we are implementing the SMM Green Metal concept toward providing products with low-carbon footprints as a way of reducing environmental impacts, and we are taking under review acquisition of certifications from international organizations.

We are also quickening the pace of our initiatives relating to digital transformation (DX). At the Hishikari Mine, we have begun unmanned operation of heavy machinery inside the mine, and going forward we will expand this initiative further as a way of improving safety, saving manpower, and reducing costs. In addition, to improve digital literacy Company-wide and develop future digital-savvy human resources, starting in fiscal 2023 we are now selecting candidate DX human resources from each division and implementing procedures for training them.

In conjunction with our human resources strategy, in July 2023 we implemented reforms in our managerial track employees system after several years of preparation. The aims of these reforms are to enhance employee motivation through provision of diverse opportunities; nurture a corporate climate in which employees can take up new challenges, change and grow; and create a corporate culture in which all employees continue to grow. Under the new reforms to the personnel system, the former emphasis on seniority is being changed to emphasis on the value of each employee’s duties: i.e., a system in which employees are required in accordance with their specific duties and attendant responsibilities. Under the new system, the Company will secure, foster and utilize outstanding and diverse human capital. In addition, we plan to introduce programs offering career building opportunities and freedom to take up new challenges, as well as an internal system that seeks candidates who want to become project members, etc., as ways of boosting the motivation of self-motivated employees and making the Company that much more vitalized.

At CBNC and THPAL in the Philippines, we are taking various steps to protect biodiversity. These include operating with minimal environmental impacts, preventing environmental accidents, and ecological restoration through greening of tailings dams. Again in 2022, CBNC received the Philippines’ “Presidential Mineral Industry Environmental Award” (PMIEA), among others, and THPAL received the next-highest “Best Mining Forest Award” after CNBC. Meanwhile, in conjunction with responsible mineral procurement and response to human rights within the supply chain, we underwent a third-party audit concerning nickel in February 2023 and copper in July 2023 and our smelters received certifications under the Responsible Minerals Initiative (RMI), following earlier acquisitions pertaining to gold, silver and cobalt.

Challenge 4 Strengthening the foundation of business management

As a company grounded in production, the SMM Group places highest priority on safety as the foundation of its business management. In fiscal 2022, although we experienced no fatal accidents, a number of recurring accidents occurred, along with serious accidents such as falling down and caught-in-between accidents, that caused injuries requiring more than three months’ absence from work. Going forward, we will target inherent safety of equipment, safety management on the production line, and elimination of both recurring and serious accidents. The Company’s safety record constitutes



## Message from the President

one of the KPIs linked to the remuneration of officers and many employees in managerial positions. All Group members will strive in unity in continuing and advancing initiatives to eliminate all recurring and serious accidents.

We view corporate governance as one of the most important aspects of Company management. As we go forward, we will continue to contribute to society and fulfill our responsibilities to our stakeholders by striving to continuously improve our corporate governance and conduct our corporate activities soundly and efficiently. Also, in line with our risk management system, besides our earlier risk management which has focused on bases that destabilize our management foundation, today we are taking steps to manage risks that accompany implementation of our growth and business strategies, and undertaking Company-wide crisis management to respond to emergency situations such as increasingly severe natural disasters, epidemics of communicable diseases, etc. Furthermore, concerning our business portfolio, we are working to enhance our invested capital efficiency through complete application of ROCE (return on capital employed) management, introduced from our 2021 3-Year Business Plan, in all three of our business segments: Mineral Resources, Smelting & Refining, and Materials.

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## The Special Nature of SMM's Business Operations

Demand for non-ferrous metals (copper, nickel, etc.), our business core, is expected to mark steady growth through the long term. But because non-ferrous metal resources gradually deplete with the ongoing progression of mining operations, we must continually recalibrate our portfolio of mines and other related assets. Moreover, because metal prices are set by commodity exchanges such as the London Metal Exchange (LME), SMM's bottom line is greatly impacted by broad economic trends and other market environmental factors. This relationship is one of the Company's key characteristics.

In addition, our business environment too is becoming increasingly severe every year. Competition for the limited excellent resources available is intensifying, development of new resources inevitably is taking place in ever higher altitudes and greater depths, and costs continue to rise. Taken together, these factors make new development more and more difficult. As a result, when we participate in resource development projects and the like, we devote much time to studying our options meticulously from diverse perspectives, because once a decision is taken, it demands immediate payment of hundreds of billions of yen. Moreover, several years must pass before results of such investments are reaped. As such, unless we have a financial foundation able to withstand these challenges, we would be unable to sustain our business operations, and other companies would be unlikely to call on us as a business partner for developing new resources.

Against the backdrop of these special business characteristics and our business environment, we believe maintaining a strong financial foundation and steadily implementing growth strategies targeted at achieving our Long-Term Vision are essential for attaining a favorable view within the stock markets over the long term. Accordingly, we have adopted a performance-based shareholder return policy, aiming for a consolidated payout ratio of 35% or higher, in principle, in our 2021 3-Year Business Plan. We are well aware of calls being made for stable shareholder returns, so we will take this matter under consideration in formulating our next 3-Year Business Plan.

SMM's PBR (price-to-book ratio) has remained below 1.0x in recent times, and we believe this owes greatly to the aforementioned special characteristics of our business operations. Together with demonstrating a solid growth trajectory, to win the understanding of our investors we will strive to strengthen our information messaging via IR and other activities. We will also apply the valuable feedback we receive from our investors to our management practices, as a way of enhancing our corporate value.

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## Message to Our Stakeholders

In the past few years, the environment surrounding the corporate sector has changed significantly. Today, changes have occurred in the values of diverse stakeholders and in what is demanded of business corporations, and I believe companies that are unable to respond to those changes cannot survive. SMM, throughout its long history, has sustained its business by continuously responding flexibly to the changes of the times. In that respect, the fact that we have a history exceeding 430 years may stand as proof that our business has been sustainable. Still, this longevity is no assurance that our sustainability will continue into the future. Going forward, the SMM Group must change its perception of what we earlier considered to be "risks" and instead think of such challenging circumstances as "opportunities" for positive change. Adapting to changes is one of SMM's strengths, and we view the current times as a chance to put our abundant experience to maximum use. Personally, I see my mission to be building up our sustainable Company through ongoing implementation of changes.

At the same time, we will respond responsibly and firmly to social demands. Naturally this includes advancement of initiatives in carbon neutrality and DX, but in our human resources strategy we will also proactively carry out management accepting of diversity. Through diversified use of human capital, including foreign employees, improvement in the ratio of female employees, hiring of young employees, etc., we will sweep away the image of SMM as a conservative company and forge a new, more inclusive image for the future.

Sumitomo Metal Mining is a company grounded in production. As a leading force in the production industry, we will pursue continuous growth and change, aiming to achieve our "Vision for 2030" and become "the world leader in the non-ferrous metals industry."

