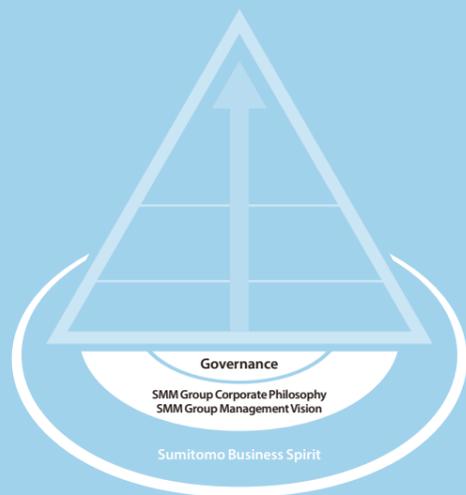




# Foundations Supporting Value Creation

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SMM has established the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit. Through striving to enhance our corporate governance, we realize our corporate philosophy, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders.

## What we want to convey in this chapter

SMM has voluntarily established the Governance Committee. In FY2023 discussions focus mainly on the selection of a new president and new management team.

In messages from outside directors, Taeko Ishii and Manabu Kinoshita, who are members of the Governance Committee, talk about what they see as important in the appointment of a new president.

In the light of analysis and evaluation of the effectiveness of auditing by Audit & Supervisory Board members and the Audit & Supervisory Board, we are studying the establishment of a body where auditors can share information.

SMM has built and is operating management systems relating to compliance, risks, quality, safety, and environment, respectively.

# 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. More details are available on the Company's website.

### Overview of Corporate Governance Framework (As of June 26, 2024)

<b>Institutional design</b>	Company with an Audit & Supervisory Board
<b>Number of Directors/Term of office</b>	8/1 year
<b>Number of directors who are independent outside directors</b>	3
<b>Chairman of the Board of Directors</b>	Akira Nozaki
<b>Engagement by outside directors in the selection of director candidates</b>	Yes
<b>Engagement by outside directors in the determination of remuneration</b>	Yes
<b>Independent Public Accountant</b>	KPMG AZSA LLC

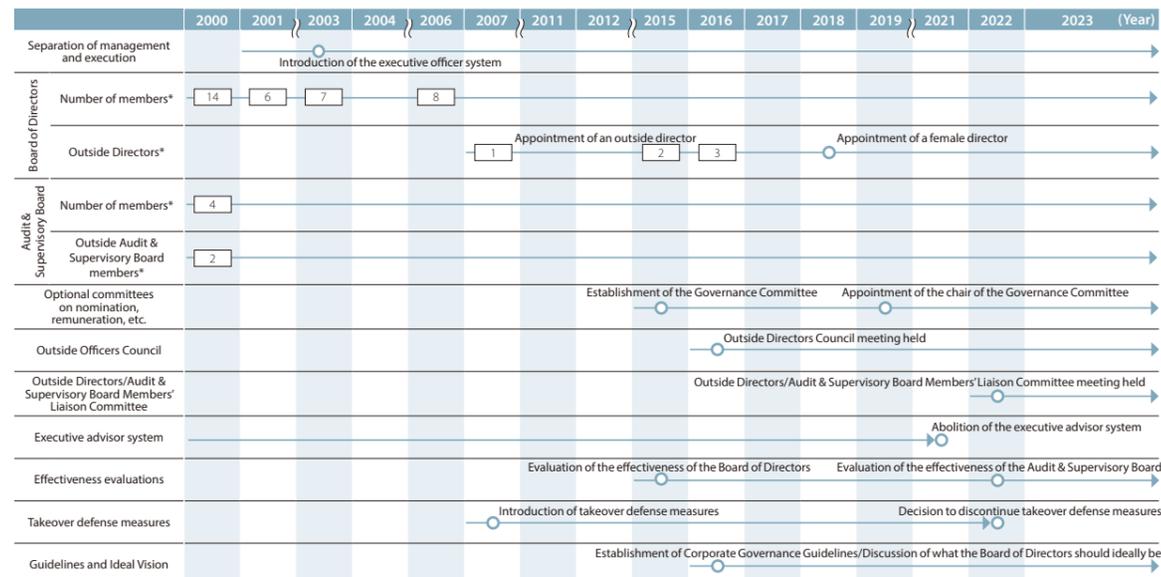
 [Corporate Governance Guidelines](https://www.smm.co.jp/en/ir/management/governance_policy/)  
[https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

## 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. Measures to reinforce the Company's governance include the appointment of outside directors since 2007, the establishment of the Governance Committee, which is an optional body, implementation of evaluations of the effectiveness of the Board of Directors, and various other improvements.

### Transitions in Governance at SMM

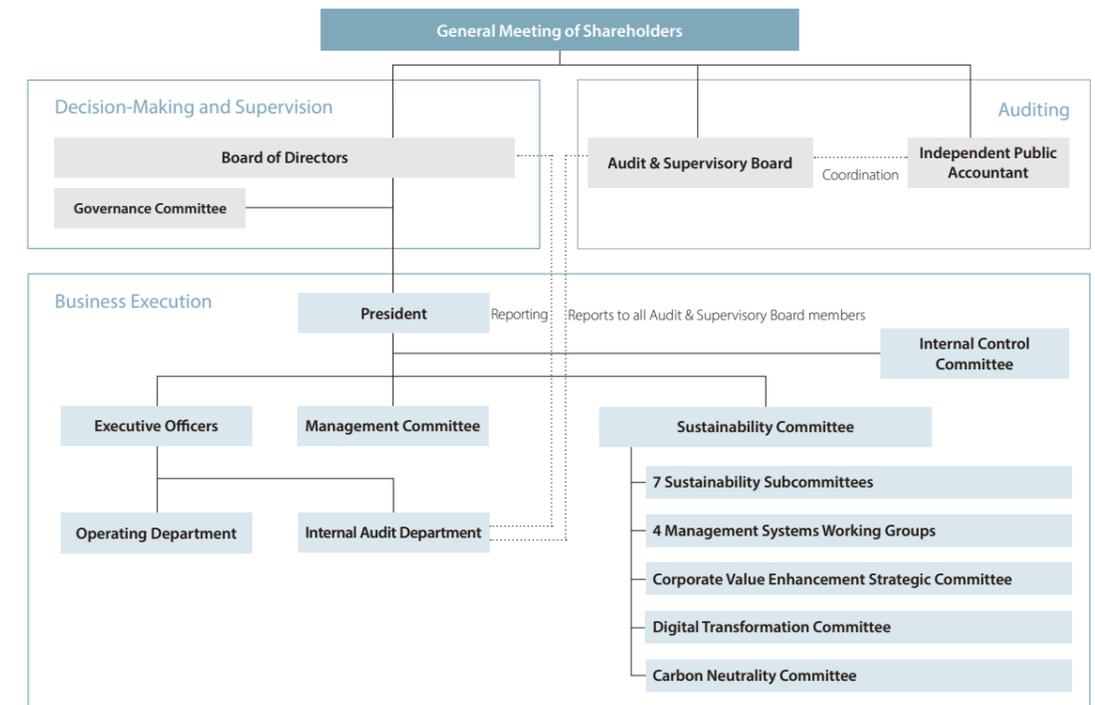


\*The Number of members are after the General Meeting of Shareholders.

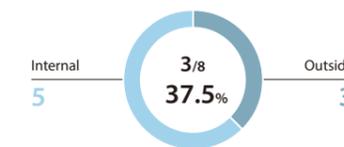
## Corporate Governance Framework

In line with its Corporate Governance Guidelines, which summarize the Company's basic philosophy for corporate governance and the framework therefore, the Company believes that its governance is a system that ensures that the execution of management and the associated monitoring and supervision are each functioning fully by using audit and supervisory board and executive officer

systems with which to conduct governance through a three-part organizational structure in which decision-making and supervision are addressed by the Board of Directors, business execution by the president and the executive officers, and auditing by the Audit & Supervisory Board members and the independent public accountant.



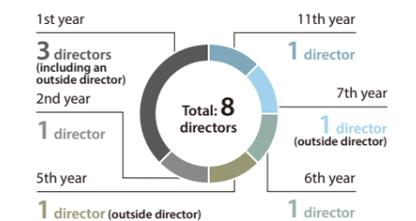
### Percentage of Outside Directors on the Board of Directors



### Percentage of Outside Directors in the Governance Committee



### Breakdown of Years in Office of Directors



### Percentage of Female Directors



### Percentage of Outside Officers (Directors and Audit & Supervisory Board Members)



(As of June 26, 2024)

# Corporate Governance

## 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 system\* 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.

\* Independent authority system: Audit & Supervisory Board Members can independently exercise their authority including investigative authority, injunctive authority, and so on.

## Decision-Making and Supervisory System

### Directors and the Board of Directors

8 directors (3 outside directors)  
 Chairman: Akira Nozaki (Chairman of the Board who is not an executive officer)  
 Term of office: 1 year  
 Meetings held in FY2023: 16

\*As of June 26, 2024

The Board of Directors has a diverse composition by including both members from within the Company who are thoroughly familiar with each area of the Company's business as well as outside experts with knowledge, experience, ability, insight and other attributes different from that of the members from within the Company and who can supervise management on behalf of shareholders and other stakeholders.

Furthermore, striving for greater managerial transparency, the Company has a policy of appointing at least one-third of its directors as independent outside directors, and of the eight directors, three, including one with management experience, have been appointed as independent outside directors.

Among the Company's directors, there are four directors who are also executive officers. Conflicts of interest are addressed in accordance with Japanese law. There are no controlling shareholders.

Other reports on the progress of sustainability activities are made at least twice a year and opinions on sustainability are exchanged once a year. In FY2023, the exchange of opinions was

### Main Agenda Items at Board Meetings

- Matters relating to existing and new projects in each business (resolution)
- Borrowings and other financing (resolution)
- Establishment or revision of important rules and regulations, including water policy (resolution)
- Cross-shareholdings (reporting)
- Dialogue with institutional investors (reporting)
- Planning and results of auditing by Audit & Supervisory Board members and internal auditing (reporting)
- Personnel system-related matters, etc. (reporting)
- Sustainability issues (discussion)
- Responses for achieving management with an awareness of capital costs and stock prices (discussion)

held on the details of progress and issues to be addressed in the future in light of changes in the external environment. In addition, the status of use of the Whistle-blowing System (Speak Up System) and the status of responses are regularly reported. Also, complaints received by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a contact point for receiving complaints from suppliers and other external parties, are also subject to reporting as a grievance (remedy) mechanism.

While any matters of critical concern that arise are required to be reported to the Board of Directors, there were no matters of critical

concern reported in FY2023.

In stakeholder engagement conducted by the Board of Directors, authority is delegated to business divisions for customers and suppliers, to the Human Resources Department for employees, and to the Public Relations & Investor Relations Department for shareholders and investors.

The status of dialogue with investors is reported from the Public Relations & Investor Relations Department once a year.

### Governance Committee

4 Governance Committee members (3 outside directors)  
 Chair: Taeko Ishii (outside director)  
 Meetings held in FY2023: 6 (3 nomination meetings, 2 remuneration meetings, 1 general governance meeting)

\*As of June 26, 2024

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. 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.

## Auditing System

### Audit & Supervisory Board

4 Audit & Supervisory Board members (2 outside Audit & Supervisory Board members)  
 Chairman: Koji Imai (Standing Audit & Supervisory Board member)  
 Meetings held in FY2023: 15

\*As of June 26, 2024

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 the Company, 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 and other important meetings, receive reports from directors, executive

### Role and Function of Outside Directors

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 decisions 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.

officers, and employees regarding the status of the performance of their duties, and, through on-site inspection activities at domestic and overseas business sites, confirm the status of business execution, inherent issues, and the establishment and operation of internal control systems. In addition, information collected by the standing Audit & Supervisory Board members through inspection of important approval and other such documents and reports from related departments is shared with the outside Audit & Supervisory Board members and discussed among all Audit & Supervisory Board members.

### Main Agenda Items at Audit & Supervisory Board Meetings

- Audit plan of the Audit & Supervisory Board members (monthly and annually)
- Results of the audit of the Audit & Supervisory Board members (monthly and annually)
- Confirmation of each agenda item of the Board of Directors meeting
- Information on the business environment
- Audit report of the Audit & Supervisory Board
- Results of the evaluation of the effectiveness of the Audit & Supervisory Board

## Corporate Governance

### Role and Function of Outside Audit & Supervisory Board Members

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.

### Collaboration among 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 and the Audit & Supervisory Board 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 FY2023, Audit & Supervisory Board members attended such meetings 20 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.

### Collaboration with Outside Directors

#### Meetings of the Outside Directors/Audit & Supervisory Board Members' Liaison Committee

Meetings of this committee have been held since FY2022 to facilitate regular exchanges of opinions and the development of shared awareness of issues among the outside directors and the Audit & Supervisory Board members, who are independent from management. In FY2023, the committee met in August and March, and the Audit & Supervisory Board members provided general information on the results of on-site audits and wide-ranging opinions were exchanged.

#### Other

Action plans for on-site audits, interviews of heads of operational divisions, and so on were shared with the outside directors, and in FY2023, outside directors participated in some on-site audits and attended division head interviews.

## Procedures in the Nomination of Director Candidates, Appointment or Dismissal of Senior Management, and Nomination of Audit & Supervisory Board Member Candidates

In nominating candidates for the Board of Directors, the president comprehensively considers the knowledge, experience, ability, insight and other attributes of the candidates with respect to the best lineup for resolving current and future management issues for the sustainable development of the Company (including the positive and negative impacts on the economy, environment, and people, including human rights), and proposes suitable candidates to the Board of Directors. The Governance Committee, which consists of the Chairman of the Board of Directors who is not an executive officer and the independent outside directors who supervise the management team on behalf of shareholders and other stakeholders, provides the president with advice. The Board of Directors makes the final decision after due deliberation.

With regard to the selection of executive officer candidates, the president, based on the recommendations from the executive officers, comprehensively considers the knowledge, experience, ability, insight and other attributes of the candidates in accordance with the same approach as when nominating candidates for

director, and the same procedures shall be used to determine director candidates.

The Governance Committee has opportunities to deliberate on the environment and methods for fostering the next president as well as concerning the candidates. In the event that an executive officer has rendered himself or herself markedly ineligible, for example by having acted unlawfully, improperly, or disloyally, and a dismissal recommendation is made to the Board of Directors after the Governance Committee gives advice on the matter, and the individual concerned may be dismissed by resolution of the Board of Directors.

With regard to the nomination of Audit & Supervisory Board member candidates, the president comprehensively considers the qualifications, knowledge (including that of finance, accounting, and law), experience, ability, insight and other attributes of the candidates and, after obtaining the prior approval of the Audit & Supervisory Board, proposes the qualified candidates to the Board of Directors, which then determines the nominations.

## The Board's Engagement in Succession Planning for the CEO and Other Top Executives

The succession planning for holders of the office of chief executive officer (president and director) is developed and executed appropriately on the basis of our corporate philosophy and business plans. With regard to the candidate for the successor to the president, the Governance Committee, composed of the chairman of the Board of Directors who is not an executive officer and three independent outside directors, has opportunities to deliberate on the environment and methods for fostering the next president as well as concerning the candidates, etc.

Regarding the specific procedure for selecting the successor to the president, after consulting with the Governance Committee about the candidate recommended by the president and receiving

advice on whether the candidate has the qualifications, knowledge, experience, abilities, and insight worthy of a president and director, the president makes the final proposal to the Board of Directors, which makes the final decision after due deliberation.

In selecting of the candidates for executive officers who serve as a pool of candidates for future president, the president, based on recommendations from the executive officers, consults with the Governance Committee regarding the best lineup to resolve the issues management faces, formulates the final proposal with reference to that advice, and submits the proposal to the Board of Directors. The Board of Directors then makes the final decision after due deliberation.

# Corporate Governance

## View on the Balance between Knowledge, Experience, and Skills of the Board as a whole, and Also on Diversity and Appropriate Board Size

The Board of Directors achieves a diverse composition by including both members from within the Company who are thoroughly familiar with each area of the Company's business as well as outside experts with knowledge, experience, ability, insight and other attributes different from that of the members from within the Company. Based on "what the Board of Directors should ideally be," as stated in the Corporate Governance Report, the skill matrix for the Company's directors and Audit & Supervisory Board members was created and is shown below. Each skill item has been selected through discussions by the Board of Directors, focusing on those required to realize the Company's long-term vision and

Vision for 2030. As the knowledge, experience, ability, insight, and other attributes required of the Company's Board of Directors may change in response to changes in management strategies and the external environment, the Board of Directors will continue to discuss the necessary knowledge, experience, ability, insight, and other attributes, and update the skills matrix as necessary. The size of the Board of Directors will be appropriate to conducting active discussions and ensuring the briskness of the Board. One-third or more of the Directors will be independent outside directors in order to strive for greater managerial transparency.

### Skills Matrix for Board of Directors

Knowledge, experience, ability, etc. possessed by directors and Audit & Supervisory Board members that the Company believes will contribute to the effectiveness of the Board of Directors

Category	Name	Years in Office (As of June 26, 2024)	General Corporate Management, Sustainability	Global Capability (International Experience)	Business, Marketing	R&D, manufacturing, Engineering	Quality, Safety, Environment	Finance, Accounting	Human Resources	Legal, Compliance
Directors	Akira Nozaki	10 years	●	●	●			●		
	Nobuhiro Matsumoto	5 years	●	●	●	●	●			
	Masaru Takebayashi	1 year	●	●	●	●	●			
	Hiroshi Yoshida	—	●	●	●			●	●	●
	Hideyuki Okamoto	—	●	●	●	●	●			
	Taeko Ishii <small>Outside</small>	6 years							●	●
	Manabu Kinoshita <small>Outside</small>	4 years	●		●				●	
Audit & Supervisory Board Members	Koji Takeuchi <small>Outside</small>	—			●	●				
	Koji Imai	3 years								●
	Tsuyoshi Nozawa	2 years	●					●		
	Shoji Wakamatsu <small>Outside</small>	3 years						●		
	Tsuguya Ieda <small>Outside</small>	—		●	●			●	●	

\* Fields in which Directors and Audit & Supervisory Board Members believe that they can make a particular contribution to the effectiveness of the Board of Directors are indicated with a "●".

Furthermore, the Company has established the guidelines for fulfillment. For the details, please refer to the final page of the Corporate Governance Report.

[The Corporate Governance Report](https://www.smm.co.jp/en/news/release/uploaded_files/240711_CGR_E.pdf)  
[https://www.smm.co.jp/en/news/release/uploaded\\_files/240711\\_CGR\\_E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/240711_CGR_E.pdf)

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

Functions and Roles in Corporate Governance	
<b>Taeko Ishii</b> Outside Director  Attendance (FY2023) Board of Directors meetings 15/16 (93%)	Ms. Taeko Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law. Ms. Taeko Ishii participates in the Board decision-making, 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 Group by utilizing her knowledge and experience. She also performs 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 remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, she realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
<b>Manabu Kinoshita</b> Outside Director  Attendance (FY2023) Board of Directors meetings 16/16 (100%)	Mr. Manabu Kinoshita had served as Senior Executive Vice President of NEC Corporation and has abundant knowledge and experience in managing a company and regarding digital business. He participates in the Board decision-making, providing his advice regarding material business 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 Group by utilizing his knowledge and experience. He also performs 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 remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, he realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
<b>Koji Takeuchi</b> Outside Director  Attendance (FY2023) Board of Directors meetings —	Mr. Koji Takeuchi has abundant experience in the research and development of substrate materials for semiconductor packaging as well as in the electronic materials business at Ajinomoto Co., Inc. He also had served as Member of the Board and Vice President of its major subsidiary and has abundant knowledge and experience in corporate management and regarding advanced materials. He is expected to participate in the Board decision-making, providing his advice particularly on research and development as well as materials business, which is aimed toward the sustainable growth and mid- to long-term enhancement of the corporate value of the Company and its groups 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 remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, the Company expects that Mr. Koji Takeuchi will realize the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function, and has appointed him as Outside Director.
<b>Shoji Wakamatsu</b> Outside Audit & Supervisory Board Member  Attendance (FY2023) Board of Directors meetings 16/16 (100%) Audit & Supervisory Board meetings 15/15 (100%)	Mr. Shoji Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He carries 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 participates in important meetings, including Board of Directors meetings, and during the decision-making process actively expresses his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals.
<b>Tsuguya Ieda</b> Outside Audit & Supervisory Board Member  Attendance (FY2023) Board of Directors meetings — Audit & Supervisory Board meetings —	Mr. Tsuguya Ieda has abundant and extensive experience in financial institutions and knowledge about corporate management. He is expected to carry out effective audits based on his main knowledge about and experience in the financial sector, while fully coordinating with full-time Audit & Supervisory Board Members, which is aimed toward the ensuring of the soundness of the Group's management and mid- to long-term enhancement of the corporate value of the Company and its groups. 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, and has appointed him as Outside Audit & Supervisory Board Member.

The concurrent occupations of outside directors and outside Audit & Supervisory Board members (as of March 31, 2024) are listed in the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.

[The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)  
[https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99\\_houkoku\\_E.pdf](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)

### Standard for Independence

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 Company website.

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

### Outside Officers Council

The Outside Officers Council has been meeting since August 2016 as an informal gathering attended only by outside officers (outside directors and outside Audit & Supervisory Board members) to provide opportunities for exchanging opinions and sharing information. In FY2023, meetings were held in August and March, and opinions were exchanged on a wide range of topics including trends in corporate governance and improving the effectiveness of the Board of Directors.

# Corporate Governance

## Training Policy for Directors and Audit and Supervisory Board Members

The training of directors and Audit & Supervisory Board members is based on the self-improvement of each individual, and therefore the Company contributes to self-improvement by providing opportunities for training either directly or as an intermediary, and provides support for the costs thereof.

Specifically, the Company provides training on the legal liabilities of officers, compliance, and legal knowledge for newly appointed directors, Audit & Supervisory Board members, and executive officers when assuming office. The Company provides

various kinds of internal training for directors, Audit & Supervisory Board members, executive officers, and others and endeavor to obtain timely and appropriate information through lectures by lawyers and other external experts and through other such means. Additionally, the Company provides information on other training opportunities such as external seminars.

Including the above, the Company bears the entire amount of any expenses necessary for director, Audit & Supervisory Board member, and executive officer training.

## Basic Policy and Procedures for Remuneration of Directors

### Basic Policy

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 the Chairman and 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. The Chairman and outside directors shall receive only fixed 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.

The detailed outline of the "Policy on determining the details of remunerations for each Director" are included in the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.

 [The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)  
[https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99\\_houkoku\\_E.pdf](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)

The ratio of fixed remuneration to performance-based remuneration for eligible directors in the current fiscal year will be approximately 2:1.

### Matters Related to Performance-based Remuneration

The indicators employed by the Company to determine performance-based remuneration include consolidated results (profit attributable to owners of the parent, profit before tax), departmental results (return on capital employed [ROCE], 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 industrial accidents).

#### Reason for Selection of Above Indicators

##### Consolidated results (profit attributable to owners of the parent, profit before tax)

Because these indicators are key measures of the Company's corporate management performance, and are the profitability targets that it aims to achieve as part of its long-term vision.

##### Departmental results

The three absolute values of efficiency, cash flow, and profit were selected in order to evaluate performance in a balanced manner.

##### Degree of attainment of personal targets under medium- to long-term management strategies\*1

Because 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.

##### Safety record

Because we believe that securing a safe workplace is our operating foundation.

\*1 Growth strategies, measures to strengthen competitiveness, measures to improve sustainability, etc., set forth in the 2021 3-Year Business Plan

### 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.

The details of each calculation method are provided in "Matters related to performance-based remunerations, etc." of the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.

Moreover, there are no sign-on bonuses or recruitment incentive payments, termination payments, clawback systems, or retirement benefits.

### Annual Total Compensation Ratios (FY2023)

Ratio of the average annual total compensation for the organization's highly-paid individuals to the total compensation for all employees <sup>2</sup>	975%
Ratio of the percentage increase in average annual total compensation for the organization's highly-paid individuals to that for all employees <sup>3</sup>	—

<sup>2</sup> Average annual total compensation for the organization's highly-paid individuals is calculated as annual total compensation for internal directors (plus the employee salaries of any directors concurrently serving as employees) divided by the number of internal directors. This ratio is calculated as average annual total compensation for the organization's highly-paid individuals divided by the median annual total compensation for all employees x 100.

<sup>3</sup> Ratio of the percentage increase is calculated as the percentage increase in average annual total compensation for the organization's highly-paid individuals divided by the median of the percentage increase of annual total compensation of all employees x 100.

 [The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)  
[https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99\\_houkoku\\_E.pdf](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)

## Management Remuneration as an Incentive

The Company's financial results are significantly impacted by prevailing metal market conditions and exchange rates, and thus do not necessarily correspond with the progress of management strategies and projects. Furthermore, projects related to resource development and the construction of smelting and refining plants require extremely long time periods from start to completion, and it is not unusual for the composition of management to have changed by the time the fruits of those projects can be reaped.

Given these characteristics of its business, the Company has

considered how remuneration should operate as a healthy incentive for individual directors and managers and has consequently laid down its current remuneration system composed of performance-based remuneration and bonuses based on consolidated financial results and assessment factors such as the degree of attainment of personal targets under medium- to long-term management strategies. At present, we do not believe that remuneration in the form of Company stock would effectively operate as a healthy incentive for management, and thus have not introduced it.

## 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.

# Corporate Governance

## Total Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members

### FY2023 Director and Audit & Supervisory Board Member Remuneration

Officer Classification	Total Remuneration	Total amount of remuneration, etc. by remuneration type			Number of Officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	JPY345 million	JPY252 million	JPY93 million	—	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	JPY68 million	JPY68 million	—	—	2
Outside directors	JPY41 million	JPY41 million	—	—	4
Outside Audit & Supervisory Board members	JPY25 million	JPY25 million	—	—	2

Directors whose total remuneration, etc. is JPY100 million or more are disclosed individually in the Company's Annual Securities Report.

## Analysis and Evaluation of the Effectiveness of the Board as a whole, and the Results

The Board of Directors analyzes and evaluates the effectiveness of its performance from the perspective of appropriate decision-making for business execution and enhancing monitoring functions. In FY2023, the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors, with the following results.

### 1. Analysis and evaluation process

The Company engaged a third-party organization, Japan Board Review Co., Ltd., to assist in the analysis and evaluation. A questionnaire to Directors and Audit & Supervisory Board members was prepared based on data for Board meetings, meeting minutes, and prior discussion among the third party, the Chairman of the Board of Directors, who assumes the chairmanship of the Board, and the President and Representative Director, who is the officer with ultimate responsibility for business execution. In addition, individual interviews with all respondents by the third party were conducted for the first time in three years, and a new mutual evaluation within the categories of Inside Director, Outside Director and Audit & Supervisory Board member was conducted in the interviews.

The Board of Directors deliberated on the effectiveness of the Board of Directors at the ordinary meeting held in February 2024, based on the report from the third party and the "what the Board of Directors should ideally be (aiming for a Board of Directors that emphasizes decision-making functions)" confirmed in FY2016, and confirmed its evaluation and future actions.

### 2. Overview of analysis and evaluation results

1) Questionnaire responses and interview results  
Major items related to the roles and composition of the Board of

Directors were rated highly and specifically as follows.

- (1) With regard to the "role and function of the Board of Directors," it was shared that the Board of Directors aims to be a "Board of Directors that emphasizes decision-making and supervises through decision-making." A shared understanding of the roles and functions of the chairman, outside directors, and inside directors, and Audit & Supervisory Board members was well established. The idea that changes are necessary toward the future was also indicated.
- (2) The decision-making process, which is discussed at the Management Committee and submitted to the Board of Directors is appropriate and allowed for active and essential discussion.
- (3) The size and composition of the Board of Directors is appropriate from the perspective of active discussion, decision-making, knowledge, and experience. There is also an opinion that it is necessary to further ensure diversity in terms of gender and expertise.
- (4) Appropriate efforts are being made to address issues identified in the last year as those to be continuously addressed (securing appropriate human resources, etc.).
- (5) Important management issues and sustainability were adequately deliberated by the Board of Directors through open and active discussions. Implementation status of proposals and its results were also appropriately followed up. On the other hand, there is an opinion that medium- to long-term competitive advantages needed to be further discussed for the future.
- (6) The composition of the Governance Committee is appropriate, and its role is clearly defined.
- (7) The system to support outside directors is adequate. Their cooperation and communication with Audit & Supervisory Board

members is also sufficient.

2) Issues identified from the responses to the questionnaire and the results of the interviews (suggestions for improvement by the third-party organization)

- (1) Medium- to long-term business direction and strategies, including sustainability, should be further discussed for strengthening supervisory function through decision-making.
- (2) The operation of the Board of Directors meetings should be further improved (e.g., by systematically setting discussion themes).

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

- (1) Important themes among the medium-to-long-term business direction and strategies, will be systematically handled as discussion themes. The holding of off-site meetings for this purpose will also be considered.
- (2) Board meetings material will be further enriched to improve the quality of discussion.

### 3. Future steps

The Board of Directors confirmed that steps will be taken with regard to the above matters in order to improve its effectiveness in an ongoing manner.

## Analysis and Evaluation of the Effectiveness of Auditing by Audit & Supervisory Board Members and the Audit & Supervisory Board, and the Results

In order to ensure managerial soundness and increase the corporate value of the Company's group, the Audit & Supervisory Board Members audit the execution of duties by directors and executive officers in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board. In order to confirm and improve the effectiveness of the audits performed by Audit & Supervisory Board members and the Audit & Supervisory Board's activities, the Audit & Supervisory Board analyzes and evaluates their effectiveness.

Through this analysis and evaluation of the effectiveness, the Audit & Supervisor Board review the audits and activities during the previous fiscal year, consider issues to be improved and how to address them, and incorporate the findings in the next fiscal year's audit plan and day-to-day audit activities.

### 1. Analysis and evaluation process

We engaged an outside professional organization, Anderson Mori & Tomotsune, to conduct the analysis and evaluation from an independent and objective standpoint. Based on the results, the Audit & Supervisory Board conducted a self-evaluation and discussed key matters.

Specifically, the outside professional organization reviewed documents related to the Company's audit activities and the Audit & Supervisory Board in FY2023, based on which the following process was performed:

- (1) Questionnaires for all Audit & Supervisory Board members
- (2) Individual interviews with all Audit & Supervisory Board members
- (3) Interviews with the administrative office of the Audit & Supervisory Board

- (4) Discussions at Audit & Supervisory Board meetings based on results of the evaluation and findings by the outside professional organization.

### 2. Overview of the analysis and evaluation results (overall rating)

The outside professional organization reported that "the evaluation concluded that fruitful audit activities were carried out" by the Audit & Supervisory Board. The Audit & Supervisory Board confirmed this evaluation and the following points and rated that the Audit & Supervisory Board were effectively functioning and the audits were effective.

- 1) Again in FY2023, based on audit plans Audit & Supervisory Board members performed audits mainly through attendance at important meetings including Board of Directors meetings and various committees, interviews with executives including representative directors, and on-site inspections at sites and affiliated companies; checked the status of business execution by directors, etc.; confirmed that the establishment and operation of the internal control system had been effectively implemented; and made necessary representations of their opinions as well as remarks.
- 2) The Company's outside Audit & Supervisory Board members attended important meetings as many as possible and conducted on-site inspections in cooperation with full-time Audit & Supervisory Board members. As a result, outside Audit & Supervisory Board members bore greater burden in conducting audit activities compared to outside Audit & Supervisory Board members at other companies.
- 3) In auditing, Audit & Supervisory Board members including outside

# Corporate Governance

Audit & Supervisory Board members not only attending important meetings and providing their opinion, but also placed importance on observing sites and affiliated companies with their own eyes and communicating directly with local responsible personnel from the perspective of the independent decision-making system applicable to Audit & Supervisory Board members. In addition, Audit & Supervisory Board members played certain roles because they communicated findings obtained during routine audit activities to management personnel, heads of divisions, and organizations that received on-site inspections in the form of statements made during meetings, delivery of investigation reports, etc. and such findings were utilized for future management.

### 3. Issues and future actions for them

Based on the overall rating in 2. above and from the viewpoint of further enhancing audit activities by the Company's Audit & Supervisory Board, the outside professional organization pointed out issues.

Although many points were discussed on the basis of those issues, the following are the major issues and actions that were confirmed to be addressed and taken by the Audit & Supervisory Board, respectively. The Audit & Supervisory Board will also continue to examine other issues.

- 1) Issues concerning information sharing and cooperation among Audit & Supervisory Board members  
Each regular Audit & Supervisory Board meeting is currently held before the succeeding ordinary Board of Directors meeting and therefore the time for discussion at regular Audit & Supervisory Board meetings is limited. Therefore, information is shared and opinions exchanged appropriately among Audit & Supervisory Board members not only during but also outside regular Audit & Supervisory Board meetings. In order to conduct more meaningful audit activities through in-depth discussions on

issues identified or questions raised by Audit & Supervisory Board members, establishment of a new forum for discussion between all Audit & Supervisory Board members will be considered, and the results of such discussions recorded.

- 2) Issues concerning information sharing with Audit & Supervisory Board members of affiliated companies

In general, the risk of scandals is increasing in subsidiaries. It is therefore important to communicate with dedicated Audit & Supervisory Board members of affiliated companies. Currently, communication is promoted through the attendance of full-time Audit & Supervisory Board members at dedicated Audit & Supervisory Board member liaison meetings that are held with full-time Audit & Supervisory Board members of affiliated companies every two months. It will be examined to share information obtained from dedicated Audit & Supervisory Board members of affiliated companies further with outside Audit & Supervisory Board members.

- 3) Issues concerning follow-up after audit activities

It is important to follow up the status of improvement of actions, etc. taken by executives in response to feedback expressed and remarks made by Audit & Supervisory Board members to executives in on-site inspection reports or during Board of Directors meetings regarding results of audits and discussions at Audit & Supervisory Board meetings. Accordingly, the Company will consider confirming and recording the status of follow-up actions taken by executive management regarding highly significant matters among the remarks made by Audit & Supervisory Board members to executives.

The Audit & Supervisory Board and its members will further improve the effectiveness of audit activities and strive to contribute to strengthening the management infrastructure and improving the corporate value of the Company's group.

## Business Execution Structures and System

### Management Committee

The membership of the Management Committee includes the president, senior managing executive officers, and other related executive officers, and its meetings may also be attended by the chairman of the Board of Directors, outside directors, and Audit & Supervisory Board members.

The Management Committee deliberates on important matters requiring careful consideration from a wide range of perspectives prior to their submission for the Board of Directors resolutions or

approval by the president, deciding whether or not matters should be submitted to the Board of Directors, and assisting the president's decision-making.

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.

### Sustainability Committee and Internal Control Committee

The Company has systemized its social and environment initiatives as sustainability promotion activities and is expanding them throughout the Group. In order to promote these activities, the Sustainability Committee (headed by the president) has been

established. 7 Sustainability Subcommittees and four Management System Working Groups have also been established under the Sustainability Committee, and the Company has also established the Corporate Value Enhancement Strategic Committee, Digital Transformation Committee, and Carbon Neutrality Committee. [Sustainability Committee](#) P. 86-87

## Cross-Shareholdings

When advancing our business strategy, the Company 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, the Board of Directors verifies aspects such as the objectives of holdings and whether the benefits therefrom cover the Company's cost of capital every year. 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 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 the Company's shares expresses a desire to sell, we will not prevent such a sale, etc. by suggesting a reduction in the size of the transaction, or by other means.

With regard to the exercise of voting rights in cross-shareholdings, the Company determines 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, or enhancing shareholders' interests in, that company over the medium to long term, and what impact it will have on the Company's corporate value or shareholders' interests. In order to determine whether to approve or reject proposals, the Company will engage in dialogue with the issuing company regarding the contents of each proposal, etc., as necessary. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by persistent losses.

### Number of Issues Reduced (stocks other than unlisted stocks)

	2019	2020	2021	2022	2023	(FY)
Whole sale	4	3	2	5	7	
Partial sale	1	1	3	3	4	

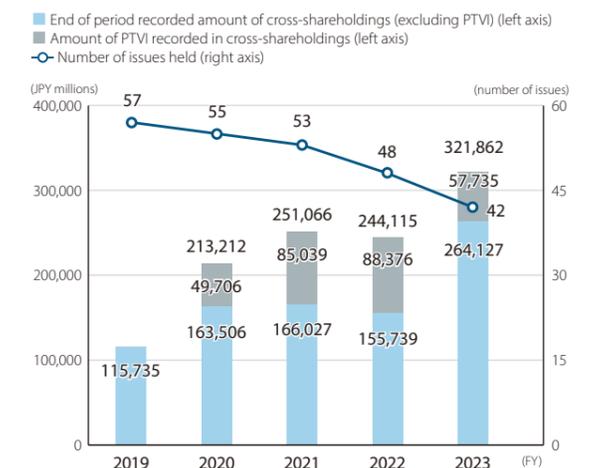
### Relationship with PT Vale Indonesia Tbk

SMM owns 15% of the stock of PT Vale Indonesia Tbk (PTVI), a company in the Republic of Indonesia, and has entered a shareholder's agreement with Vale Canada Limited and PT Mineral Industri Indonesia (Persero), a state-owned Indonesian company, to jointly manage PTVI. In addition, we have also signed an agreement regarding the right and obligation to purchase production with these four companies including PTVI. Due to this, SMM has the right and obligation to purchase 20% of the agreed annual production from PTVI's Sorowako mine.

One of the conditions for obtaining the mining business license required for PTVI to continue operations after 2025 was to increase the Indonesian equity stake in the company. In FY2020, SMM sold a portion of its PTVI shares and excluded PTVI from its equity-method affiliates.

\*The shares of PT Vale Indonesia Tbk are not cross-held. Our company holds shares of PTVI but they don't hold ours.

### Investment shares held for purposes other than pure investment (stocks other than those unlisted stocks, including deemed holdings)



\* For FY2020, the number of issues held increased by one due to the exclusion of PTVI from the equity-method affiliates.  
\* In FY2023, the number of issues held increased by one due to the acquisition of shares of Nano One Materials Corporation.

# Messages from the Outside Directors

With a view to improving corporate value over the medium to long term, SMM's two outside directors shared thoughts based on their expert insights regarding expectations on both the new president and new management team, their assessment of the Board of Directors and issues to address, their own roles to play within SMM, and actions they would like to take going forward.



**Seeing potential in the new management team, working to contribute to discussions for advancing women's empowerment and securing human resources**

**Taeko Ishii** Outside Director

Ms. Ishii was registered as a lawyer in 1986, and is currently a member of the Dai-ichi Tokyo Bar Association. She is particularly knowledgeable about legal practice concerning labor issues, and provides counsel to the Board of Directors 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.

## Potential of the incoming president and new management team

The Company's transition to a new president and new management team at a time with major investment projects just ahead, such as overseas mine development and the new plant in Niihama, gave off a positive impression that a new generation will be putting the Company on a strong trajectory. It is amid this that I see great potential in the incoming president.

In selecting a new president, candidates were based on proposals from the former president, followed by deliberation by the Governance Committee and approval of the selected candidate by the Board of Directors. Since the successful candidate had experience at the Company as an executive officer, I had a good understanding of his background and work experience, so I shared information with him about what kind of president the Company needed and provided advice accordingly.

## Toward diversity and women's empowerment

I believe that what is expected of me is to make proposals from the perspective of shareholders and other stakeholders, while utilizing my knowledge and experience in the practice of law. Beyond this, I believe that people expect me to speak from a perspective of diversity and empowering women, including how to build workplaces and working environments that are facilitative for women.

Recently, after consultation from the Company's Human Resources Department, I attended a roundtable meeting on the topic of creating facilitative work environments for women. Those women in management positions at the Company who attended the roundtable inspired me with great motivation and vitality.

The Company's places of work are often in mines or where people handle chemical substances in metal smelting, which is regulated by the Labor Standards Act and other laws and regulations. This can impede women gaining experience in these areas. In this environment, it is very difficult for me to know much progress can be made in empowering women, but when considering the diversity of human resources that will be needed in the future, I feel that we must focus our efforts on cultivating women human resources.

## Going forward, business challenges include securing human resources

The young working population has been on the decline and there has been an expectation of increasingly difficult hiring of both new graduates and mid-career professionals. Amid this environment, the Company launched a revamp of its managerial track personnel system in July 2023 with the aim of continuing to secure and utilize excellent human resources. In the past year, we have been in a state of transitional observation to ensure that the revamped system has been firmly established. Given the Company's long-standing seniority system leading up to this change, it will take a little longer to catch up with the times. In my visits to the field with Audit & Supervisory Board members, the feedback I received was that we still have a long way to go in terms of employee acceptance.

Whether or not things go according to the Company's philosophy depends on the initiatives taken going forward. Therefore, my first focus will be on spreading the new approach to the managerial track personnel system throughout the organization. I will also make use of my expertise and experience in human resources and labor affairs to make further efforts to secure and cultivate human resources.



**Harnessing past experiences and insights to propel digital and business transformation founded in adaptability to change**

**Manabu Kinoshita** Outside Director

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

## Looking forward to quicker management under the incoming president

Simply put, incoming president Matsumoto is a cheerful and energetic man with a nimble bearing. He has earned great trust among employees, and I believe he is the right person for the position of president. My expectation for Mr. Matsumoto is that he gets out of the conference room from time to time and experiences the changes in the world around us first-hand. I was once a sales manager myself, a job where I always tried to maintain a dialogue with both customers and front-line employees. I believe that doing so unlocks rapid adaptation to change. Outwardly, you expand your touchpoints with customers, while inwardly, you treasure your field contacts. It is my hope that he uses this dual approach to accelerate management.

As for the selection process for president, I do have one recommendation going forward. As the world changes, so too does the kind of president a company needs. The question we must answer is, how do we define human resources accordingly? My feeling is that we should establish a forum for discussion and constantly reassess what kind of career support and executive training is necessary to help candidates acquire the necessary skills.

## Advancing digital transformation to drive true changes in the way people work

I know that people expect me to advance digital transformation, or DX, and there are some points to keep in mind regarding this topic. Japan and other areas are facing a serious shortage of workers, and there are things we need to take care of before just increasing headcount or hastily rushing into DX. One of these things is to take

stock of the work that needs to be done. It is to eliminate unnecessary tasks, and automate necessary tasks with IT if they can be standardized. The time saved can then be used to expand customer touchpoints and dialogue, which will lead to the development of new products and new businesses. I believe that is where we will find work that can demonstrate the true potential of human beings.

To sort through tasks is the responsibility of upper management, and DX is a means to transform the way work is done. My desire is to help drive DX to achieve this kind of true change in the way we work.

## Initiatives to solve essential issues

The final year of our 3-Year Business Plan is an important year in which the Company is determined to carry this plan across the finish line, and to identify essential issues and link them to the next 3-year business plan.

The Materials Business is currently in a difficult phase, and I feel that the reason for this is sluggish adaptation to change. With changes in society come changes in the needs of customers, in the situation of competitors, and in the flow of money. It is essential to constantly maintain a dialogue with customers and the market, and to reach out and touch the signs of change ourselves.

The ROCE (return on capital employed) management approach is also useful for sensing the nature of change. Once each business is evaluated separately in terms of its cost of capital, the business portfolio itself can be examined. In some cases, this may lead to a decision to withdraw from a particular business. I hope to offer my counsel based on past experience and insights in these dialogue and judgment processes.

# Tax Governance

## Approach and Policy

The SMM Group established and announced the Sumitomo Metal Mining Group Basic Policy on Taxes on April 1, 2021. Under this policy, we comprehensively investigate and examine the relationships of its products to customers and local communities to develop business in a sustainable manner, as well as work toward the maximization of after-tax profit and free cash flow to maximize corporate value and achieve our long-term vision through sound corporate

activities. A part of this, we also examine 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.

### 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.

## Tax-Related Decision Making and Management and Implementation Structures

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 Group has established, maintains, and effectively operates an internal control system for financial closing operations so that it can conduct 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.
- The representatives of individual Group companies including the Company review and approve tax returns and payment details before filing and paying taxes. If 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, the practical procedures are 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.

The Audit & Supervisory Board members ensure the appropriateness of tax-related practices and policies through the following roles.

- Audit & Supervisory Board members verify the appropriateness of financial closing operations, including tax calculations and tax effect accounting, through audits conducted by the independent public accountant. In addition, when necessary, they pose questions to the independent public accountant to clarify tax-related issues.
- Audit & Supervisory Board members receive reports from the internal audit department and the independent public accountant regarding the results of their evaluation of the effectiveness of the development and operation of the internal control system for financial closing operations, including tax-related matters, and subsequently review the contents of the reports.
- When the president approves the filing and payment of income or other taxes on behalf of the Company, the Audit & Supervisory Board members review the documentation to confirm that filings and payments are properly managed within the Company.
- When the president approves the development of a tax policy, the Audit & Supervisory Board members review the documentation and confirm that the tax policy is properly developed within the Company.

## Tax Compliance and Responses to Government

Compliance is the cornerstone of the Group's corporate activities. In accordance with the Sumitomo Metal Mining Group's Basic Policy on Taxes, the SMM Group endeavors to adhere to tax laws, tax treaties, and other relevant laws and regulations applicable in the countries and regions where its mines or plants are located. Additionally, the

Group follows tax-related standards published by international organizations such as the Organisation for Economic Co-operation and Development (OECD).

[Compliance](#) **P.122**

## 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.

[Income Tax by Country or Region](#) **P.29**

# Compliance

## Approach and Policy

The SMM Group has established the SMM Group Code of Conduct to facilitate the realization of its Corporate Philosophy of contributions to society and the fulfillment of its responsibilities to its stakeholders through the performance of sound corporate activities, aiming to thereby make the Group an increasingly trusted corporate presence. Within this Code of Conduct we have established specific guidelines on conduct for officers and employees, and indicated compliance as fundamental to our corporate activities. Together with the Code of Conduct, the Basic Compliance Regulations set out a fundamental framework for compliance. Further, we have established the following policies and regulations regarding individual focus areas such as human rights and procurement, which are shared across the Group.

- **Sumitomo Metal Mining Group's Policy on Human Rights** [▶ P.100](#)
- **Sumitomo Metal Mining Group's Sustainable Procurement Policy**  
[https://www.smm.co.jp/en/sustainability/management/csr\\_procurement/](https://www.smm.co.jp/en/sustainability/management/csr_procurement/)
- **Sumitomo Metal Mining Group's Basic Policy on Taxes** [▶ P.120](#)
- **Sumitomo Metal Mining Group's Basic Policies for Anti-Bribery**  
[https://www.smm.co.jp/en/sustainability/management/bribery\\_prevention/](https://www.smm.co.jp/en/sustainability/management/bribery_prevention/)
- **Regulations on insider trading prevention and information management**
- **Regulations on the safeguarding of personal information**
- **Regulations for export control**
- **Regulations for observance of competition law**
- **Regulations on the Whistle-blowing System (Speak Up System)**

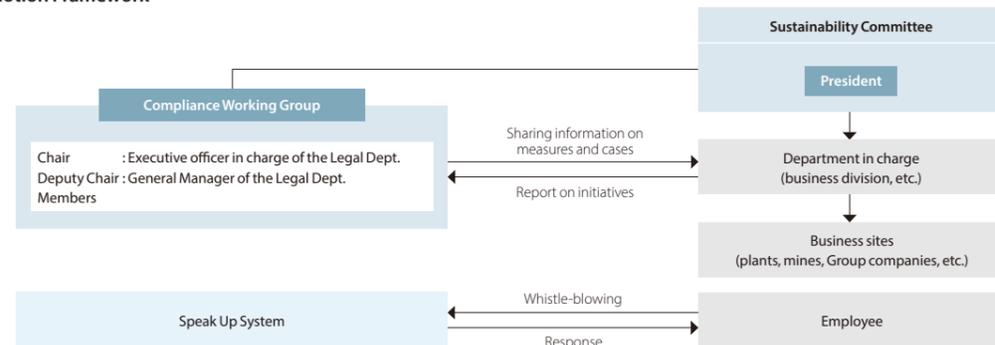
## Compliance-Related Promotion Framework

With the president bearing ultimate oversight responsibility for compliance, we strive to promote compliance through our organizational structure. The Compliance Working Group, which operates under the Sustainability Committee and is served by the Legal Dept. as secretariat, regularly conducts deliberations and exchanges information on material issues related to compliance. A system is in place whereby measures and case studies shared in the Working Group are communicated through Working Group members to respective divisions, and we are currently consolidating the framework to use this information in daily operations.

In FY2023, the Group-wide compliance goal of "Zero compli-

ance violations that may seriously damage business" was set. Based on this goal, the following priority initiatives were identified as focus areas and implemented sequentially and promoted within each department: 1) review of our compliance management system, 2) thorough line management to eradicate intentional fraudulent acts that may result in serious damage to the business, and compliance violations that can lead to rescission of permits, and 3) departments in charge of laws and regulations sequentially develop measures, starting with those that can be initiated, for items posing a serious threat to operations or high reputation risk.

### Promotion Framework



## Compliance Issues and Their Responses

We established the SMM Group Whistle Blowing System on June 1, 2022 in response to the Amended Whistleblower Protection Act. In FY2023, a total of 12 incidents were reported through the internal

reporting hotline across the Group, including those reported to affiliated companies' independent hotlines. Appropriate action was taken in response to all reports.

## Initiatives on Preventing Corruption

The SMM Group engages in initiatives to prevent corruption. Based on the SMM Group Basic Policies for Anti-Bribery and regulations for the prevention of bribery, we introduced a prior approval system (mandating approval by an authorized person in cases of entertainment or gifts, etc. to public officials, whether in Japan or overseas), while prohibiting bribery by officers or employees at each of the Group's companies in Japan and overseas. Further, an anti-bribery manual was formulated based on the characteristics

of each business and country/region, as well as legal and regulatory conditions. Each business division and the Legal Dept. work together to prevent corruption under the supervision of the officer overseeing compliance.

We have furthermore made it mandatory for all employees to attend e-learning training seminars on anti-corruption legislation in advance of their promotion to certain managerial positions.

## Compliance with Competition Laws

The SMM Group has established the Basic Policy for Compliance with Competition Laws and regulation for observance of competition law, while also having established, and is currently operating, a prior notification system (a system that in principle requires prior notification when contacting competitors) in addition to establishing

rules governing contact with competitors. Furthermore, we have prepared a manual on regulations for the observance of competition law, to provide specific overviews on the content of the basic policy and regulations, with education on competition law also provided in the course of various training seminars and e-learning programs.

## 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, which includes consolidating internal

procedures for export and technology transactions, internal audits, in-house education, and provision of guidance to each Group company.

# Risk Management

## Approach and Action Principles

### Approach

The definition of risk at our Group includes both that which is beneficial to our goals and that which is detrimental to them. We see risk as something that will have an effect on the achievement of business and organizational goals and that makes the protection or creation of value uncertain. Through risk management, we are able to revise goals and measures to maximize those risks which are beneficial, and inspect and improve processes to minimize those risks which are detrimental. This helps us achieve our 3-Year Business Plan, and ties into further ensuring the realization of our Vision for 2030 and our long-term vision.

### Action Principles

The SMM Group established the following Six Principles in the Basic Risk Management Regulations, which were formulated based on ISO 31000, a standard on risk management issued by the International Organization for Standardization, and engages in risk management (RM) to achieve our long-term vision of becoming the world leader in the non-ferrous metals industry.

- 1 The leader of the organization confronting the risk is the responsible party
- 2 Compliance is the foundation
- 3 Recognize that potential risks can materialize and take necessary risk countermeasures
- 4 Risks recognized as a result of change are shared among all parties involved
- 5 Implement RM in daily operations, considering the organization's hierarchy, size, role, and maturity, regional and cultural factors, and the knowledge, views, and values of stakeholders
- 6 Conduct ongoing reviews and improvements of management framework and initiatives

## Promotion Framework

We took the criticality accident that occurred at JCO in 1999 very seriously and established the Risk Management Working Group as a body for implementing and monitoring risk management including Group-wide initiatives relating to risk management policies and pri-

ority measures. We established a structure with the president having the highest level of responsibility to respond to risks that the Group faces and changes in those risks. The risk management structure operated under this structure comprises three frameworks.

### Group-wide Risk Management Promotion and Monitoring Framework



## Management and Business Risk Management

Among the management and business risks associated with execution of the Group's growth and business strategies, we have a mechanism to define critical Group-wide risks, which are particularly like to affect the achievement of our strategic goals (3-Year Business Plan), and address them. The critical Group-wide risks are discussed in management meetings attended by executive officers, including the president, and deliberated by the Board of Directors. To address the critical Group-wide risks, we establish response policies, designate the responsible department, and take action. The Risk Management Working Group monitors the status of actions to address critical Group-wide risks.

Also, management and business risk other than Group-wide critical risks are addressed through monitoring and implementing initiatives by management meetings, various committee meetings, medium-term plans, budgets, monthly reports, and so on.

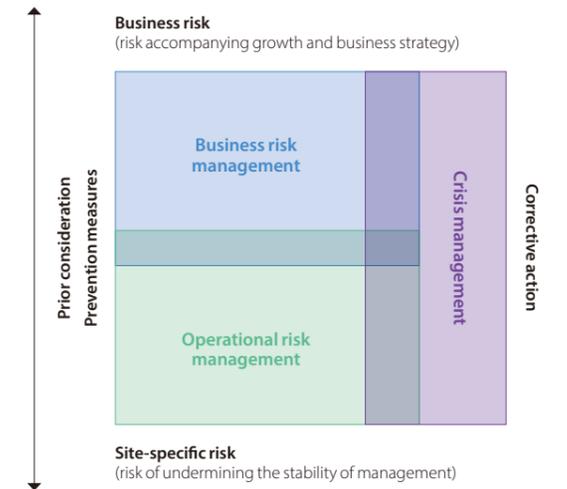
## Operational Risk Management

At each business site, in addition to focusing on specific risks addressed annually (focus areas), risks inherent in regular operations are also identified and assessed based on internal and external conditions, and are managed as individual risks (see serious risk categories). There are over 1,300 individual risks and we conduct risk mitigation on a daily basis by reviewing risk-management measures, when there are any changes to or variations in the environments and conditions that serve as prerequisites for identified risks (business environments, work environments, people, equipment, work procedures, quality standards, etc.), and taking measures against new risks. A periodic risk review is also undertaken company-wide during "RM Promotion Month" every September.

### Serious Risk Categories

- Explosions and fires
- Environmental pollution
- Legal violations
- Quality failure
- Occupational accidents
- 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

## Company-wide Risk Management Framework



## Crisis Management

In preparation for crises beyond assumed scenarios of management and site-risk management, as well as instances where on-site handling is challenging, a standing Crisis Management Committee chaired by the officer responsible for crisis management was established as a permanent body. The committee works toward the sharing of crisis information, the formulation and improvement of proactive measures, and the maintenance and strengthening of crisis management functions through drills. It also deliberates on initial response to emergencies, and transition into Group-wide response headquarters which takes appropriate actions and provides support based on the level of crisis. The president has ultimate responsibility for crisis management as a whole.

At each business site, we are promoting measures against natural disasters, such as earthquakes, tsunamis, flooding, soil liquefaction, landslides, volcanic eruptions, in line with the hazard level of each site. Such measures include seismic reinforcement of buildings, improvement of seawalls, strengthening of wastewater treatment capacity, enhancement of expansion of water storage tanks, and stockpiling of food, and drinks, and emergency supplies. We also conduct drills to simulate earthquakes, fires, environmental accidents, and overseas terrorism, riots, and kidnappings, among other scenarios. We are working to address issues such as unfamiliarity with materials and the operation of equipment, lack of understanding of rules and procedures, and inadequate manuals, and to improve the decision-making capabilities of local task force members.

# Risk Management

## Future Initiatives

In FY2024, we identify two priority initiatives: “improving the effectiveness of risk mitigation measures and crisis management systems through internal audits and self-inspections” and identifying and responding to cybersecurity risks.

For the first priority initiative, we will review the re-identification of risks implemented in FY2023 and the crisis management systems used at each site to respond to accidents, disasters, and so on. Based on the results, we will implement measures to improve the effectiveness of risk management.

For the second, we will respond to the occurrence of incidents at companies in Japan that have had a major impact on corporate management, such as the interruption of business and leaks of information due to system outages caused by cyberattacks, by implementing cybersecurity measures throughout the Group and reinforcing responses in accordance with our business continuity plan (BCP).

In parallel with these initiatives, in addition to risk management in new business and projects, we are taking action under the leadership of top management so that we can achieve our business goals without causing any compliance violations, environmental accidents, occupational accidents, quality issues, or the like. Also, in the context of heightened security-related risks, such as a Taiwan contingency or unlawful detentions in China, we will work to not only prevent overseas incidents but also reinforce our responses when they occur. Concerning natural disasters, we will strengthen our earthquake countermeasures in response to ongoing threats including an earthquake with a seismic intensity of 7 (the highest level on the Japanese scale) in January 2024 on the Noto Peninsula and an earthquake measuring a low 6 in April 2024 in the Bungo Channel.

Furthermore, we will identify risks in the next 3-Year Business Plan and discuss policies for responding to those risks.

# Quality Assurance

## Approach and Policy

The SMM Group has established and operates a business model based on 3-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.

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.

### Promotion Structure



## Quality Assurance Promotion Framework

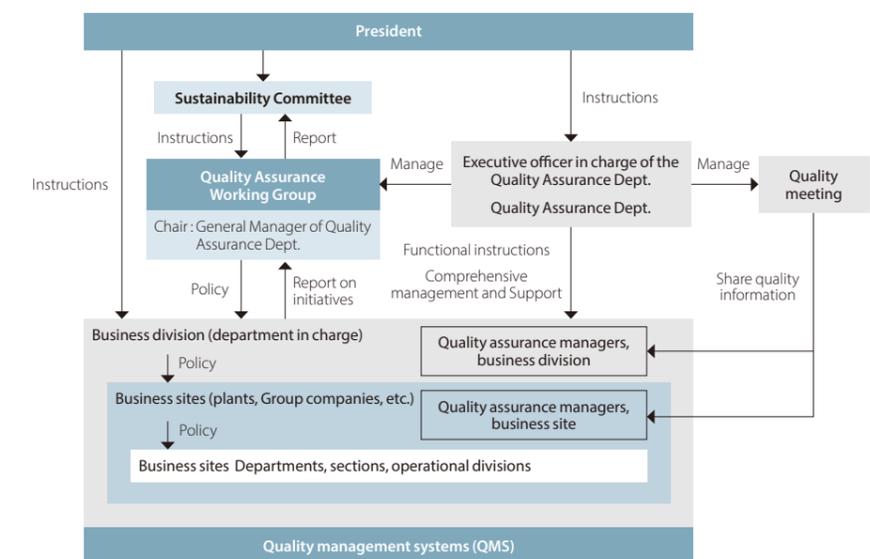
With the president bearing ultimate oversight responsibility, we have appointed an executive officer in charge of the Quality Assurance Dept. to drive quality assurance initiatives. Each business division develops and maintains their own quality assurance framework, while the Quality Assurance Dept. 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 Sustainability 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 including the reduction of the number of complaints against the Company.

In addition, quality assurance managers from the various business divisions and business sites, along with members of the head office’s Quality Assurance Dept. hold an annual quality meeting to share the quality management status of each business site and quality issues common across the entire Group.

### Promotion Framework



# Quality Assurance

## Company-Wide Quality Policy and Results

### Company-Wide Quality Policy

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

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

### FY2024 Company-Wide Quality Policy

Drive QMS improvements to achieve zero major quality complaints and create a structure that earns customer trust.

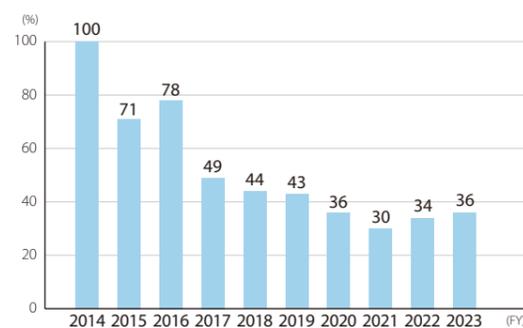
- Zero major quality complaints. Prevent complaints on quality that could jeopardize our business foundation
- Zero occurrences of quality misconduct
- Achieve complaint goals within business divisions

### FY2023 Results

The figure to the lower illustrates the changes in quality complaints for the entire Group with FY2014 data set as 100. The number of quality complaints decreased gradually starting from FY2014, reaching approximately one-third in FY2023 compared to FY2014.

In FY2023, number of quality complaints increased slightly from the previous year. This was mainly due to defects caused by human error in some departments. We will enhance risk analysis, take countermeasures to eliminate the true causes, and continue quality improvement measures in each business division and business site in the same manner as until now.

■ Changes in Quality Complaints (with FY2014 data as 100)



## Quality Improvement Initiatives

### Issues and Initiatives for Improvement

Quality trusted by customers can be achieved only when all employees align their goals and directions and actively engage in activities to achieve targets. To enable this, we clarify issues based on facts obtained through external and internal communication to set targets, and all employees proactively participate in quality improvement activities based on our "SMM Quality Standards," which summarizes the ideal form of QMS at our Company in order to achieve our goals.

### Improving Effectiveness of Quality Management Systems

The SMM Group has established and is operating QMS at its business divisions and business sites. For such QMS to function effectively, we have been conducting improvement activities based on the SMM Quality Standards. Every fiscal year, each business site sets a target standard to be achieved for the SMM Quality Standards and undertakes improvement activities. At the end of fiscal year, we conduct a self-evaluation to determine whether the quality level has achieved the targets, while evaluating and reviewing activities through internal quality audits and quality audits by the Quality Assurance Department. Based on the results, new targets are set for the next fiscal year, and the PDCA cycle of improvement is executed to continuously improve effectiveness of QMS at business sites.

The SMM Quality Standards categorizes requirements into eight chapters, with content based on the details of checks incorporating past issues,, allowing us to identify strengths and weaknesses of each business site, and to focus on improving such weaknesses.

The SMM Quality Standards are revised each year, and we will continue to provide quality that satisfies our customers by improving the ideal QMS required by our Group.

### Strengthening of Our Internal Quality Audits

In accordance with the SMM Quality Standards, we carry out measures with the objective of conducting internal quality audits that can identify, from a third-party-like perspective, potential internal issues arising from problems that have been discovered and relay these findings to top management. We hold training to cultivate internal quality auditors at business sites in Japan, turning out roughly 570 internal quality auditors from FY2019 to FY2023. Internal quality auditors supervise the actual audits and verify their effectiveness, and we implement a PDCA cycle to develop these internal auditors.

To prevent quality-related misconduct such as falsification of inspection or testing data, we provide Group-wide quality fraud prevention training opportunities using e-learning. In addition, Group-wide efforts are made to deter misconduct, including internal quality audits to guarantee product quality and to confirm the reliability of inspection or testing data, automated transfer thereof to avoid human intervention, and if such automation is difficult, administrative measures are enhanced.

### Expansion of Group-Wide Education on Quality

We provide training on quality based on our education system that aims to equip each level of employee, from new employees to managers, with necessary quality-related knowledge and management ability. With the aim to acquire wide-ranging quality-related knowledge and enhance awareness, SMM Hinkaku,\* an e-learning program for all employees launched in FY2019, with approximately 5,900 employees taking the course in FY2021. SMM Hinkaku will be used for the education of new employees and transferees.

As a shortage is expected of human resources capable of assuming responsibility for quality in the future, training is conducted Group-wide to nurture people responsible for quality. Four practical training sessions a year are conducted to improve the effectiveness of the QMS by rolling out SMM Quality Standards to the business divisions. After completion, the trainees will determine issues to be addressed at their own business sites and aim to accomplish these issues by utilizing what they have learned in the training program. The Quality Assurance Dept. also follows up on the progress of the initiatives. The training was completed by 19 employees in FY2023 and is currently participated by 18 employees in FY2024.

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

### Responding to Product Quality Issues as They Arise

If a quality issue arises in relation to the Group's products or services, the necessary action will be taken in accordance with the Quality Assurance Regulations. The business divisions and business sites will immediately check facts, report results of root-cause analysis and verification to the customer, and agree on the necessary corrective actions and recurrence prevention measures.

In the unlikely event that a serious quality issue occurs, the business division will promptly report the problem to management and the General Manager of the Quality Assurance Dept., who in order to resolve quality issues immediately, will check the progress of necessary response measures, and confirm the effectiveness of corrective actions and measures to prevent recurrence.

# Occupational Health and Safety

## Approach and Policy

Because the Group's business activities involve working at heights and handling large equipment, heavy machinery, and chemical substances, employees are exposed to the risks of occupational accidents, including fatalities, and health hazards.

On the other hand, an environment in which employees can work in safety and with security is one of the most important management elements that leads to greater employee motivation and stronger relationships of trust between employees and the

Company. Therefore, the SMM Group aims to create comfortable and safe workplaces, including at our contractors, and is further advancing its equipment intrinsic safety measures and has begun introducing advanced technologies including the IoT\* and AI (Artificial Intelligence).

\* Internet of things: Connecting many different types of things via the Internet to provide various services.

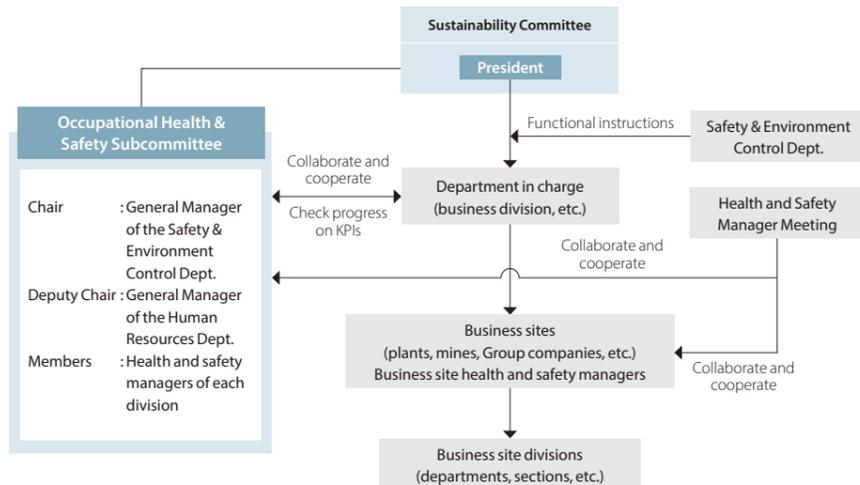
## Promotion Framework

Occupational health and safety is managed by the chain of command in which the president is the person ultimately responsible, general managers of the relevant divisions provide guidance and supervision, and the person in charge of each business site is appointed as the health and safety manager of that site. Constructive discussions on ways to improve health and safety in the workplace also take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management. Furthermore, the General Manager of the Safety & Environment Control Dept. provides guidance and advice on safety and health initiatives to each division and each workplace of the Group, while the health and safety manager assigned to each division and business site coordinate efficiently to promote improvements in safety and health. The SMM Group strives to improve health

and safety under the concepts of the OSHMS,\* and has business sites that have already obtained ISO 45001 certification or are certified according to the Japan Industrial Safety and Health Association (JISHA) OSHMS standards. We conduct risk assessments when introducing new equipment or making changes to operational procedures and make improvements to reduce risk. At overseas business sites, we have also built an occupational health and safety management framework based on local laws and regulations, and conduct the same level of risk assessment, improvement of equipment, and hazard prediction activities as in Japan.

\* OSHMS is an abbreviation of Occupational Safety and Health Management System and it is a management system that aims to improve occupational health and safety levels at business sites through the implementation of a set of processes known as the PDCA cycle (Plan, Do, Check, Act), based on cooperation between businesses and their workers.

### Promotion Framework



## Occupational Health and Safety Policies, Targets, and Plans

### Occupational Safety Policy

- ① Elimination of serious accidents
- ② Prevention of accidents caused by ignoring risks and human error
- ③ Achieve work with safe procedures and equipment through priority-oriented safety activities based on the Three Reality Principle and line safety management.

### Occupational Health Policy

Ensure a comfortable work environment through measures to improve the work environment and prevent illness

### Targets and results

		2023 Results		2024 Targets	
Occupational health	<b>1. Occupational accidents</b>	<b>Serious accidents</b>	<b>All accidents</b>	<b>Serious accidents</b>	<b>All accidents</b>
	1) Japan Group employees		15	0	7 or less
	2) Japan contractor employees	2	18	0	2 or less
	3) Overseas business site employees		1	0	1 or less
Occupational safety	<b>2. Traffic accidents</b>				
	Traffic accidents caused by employees resulting in injury or death		3		6 or less
Occupational safety	<b>1. Dust, lead, and specified substances</b>				
	1) Number of Control Class 3 workplaces		-		0 (excluding noise)
	2) Number of Control Class 2 workplaces		Reduction (2022: 11→2023: 7)		Reduction
	<b>2. Noisy workplaces</b>				
	Control Class 3 workplaces with a workload value of 1 or more		4		1 or less
Occupational safety	<b>3. Employees with work-related ill health</b>				
	Number of ill employees (requiring treatment)		0		0
Occupational safety	<b>4. Mental health enhancement</b>				
	Number of workers taking long-term absence of 1 month or longer: 27				Reduction of number of workers taking long-term absence of 1 month or longer
	Total number of days of absence for workers taking long-term absence: 3,004.5				Reduction of total number of days of absence for workers taking long-term absence

# Environmental Management

## Approach and Policy

Significant environmental accidents have major impacts on the environment and communities, and can result in loss of the trust that is a prerequisite for business continuity. In particular, the SMM Group's business activities have the potential to cause environmental pollution through such means as the leakage of mining waste and chemicals. By improving our facilities and management to address such risks as well as intensifying natural disasters, we are working to

prevent significant environmental accidents and mitigate impacts in the event of occurrence.

We are also working to sustainably utilize and manage water resources and to reduce our emissions of harmful substances into the atmosphere and water, and are developing environmental conservation activities that place importance on biodiversity.

## Promotion Framework

### The Environmental Preservation Subcommittee and the Safety & Environment Control Dept.

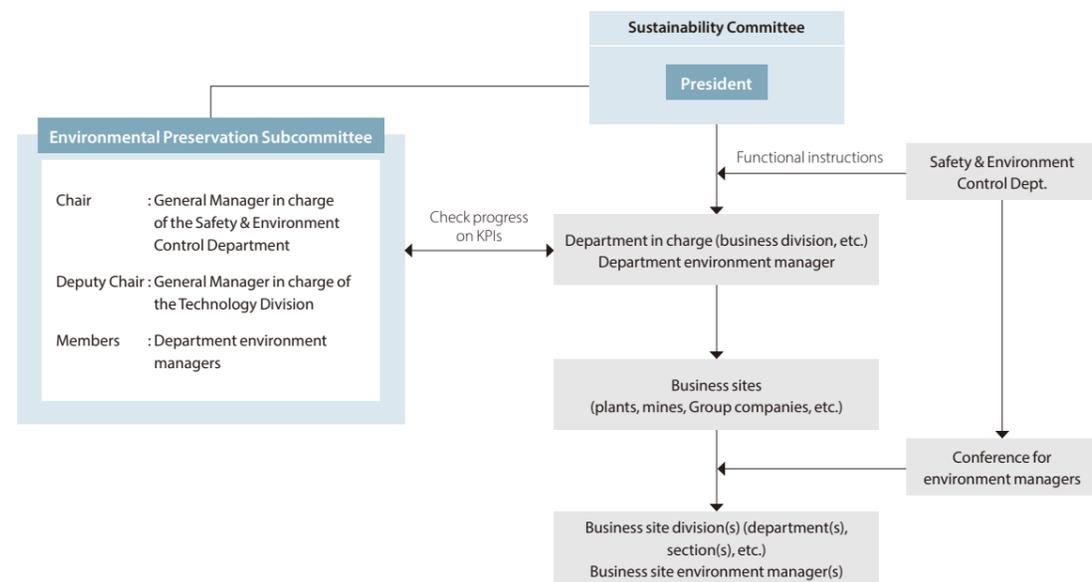
The Safety & Environment Control Dept. serves as the secretariat of the Environmental Preservation Subcommittee. The Department is the functional instructing department for all environmental preservation activities, promoting initiatives through the cooperation and collaboration of various departments to realize the Vision. This includes the operations of the Environmental Preservation Subcommittee, functional instructions to site managers based on legal revisions and other external information, various reports and inspections, and alerts and inspection directives through the sharing

information about environmental accidents and minor incident cases within the Group.

### Conference for Environment Managers

Conferences for environment managers are held in principle once per year and are attended by environment managers from all business sites. In these meetings, we aim to enhance the capabilities of these managers through education and discussion on the progress of environmental objectives, updates on legal amendments and compliance status, as well as environmental performance and priority areas of focus.

#### Promotion Framework



## Environmental Management System

Based on our Group's environmental vision and progress toward it, the Safety & Environment Control Dept. formulates a proposal for the Group's environmental targets (policies, objectives, strategies), which are reviewed and approved by the president. At each business site, annual targets and plans are developed based on the Group's environmental targets, considering the unique risks of each site, and are carried out through the environmental management system (EMS) based on ISO 14001 (JIS Q 14001). As of April 1, 2024, all our production sites have obtained third-party ISO 14001 certification.

Through the EMS, each business site conducts activities on a regular basis to improve the level of environmental management through the PDCA cycle. Such activities include evaluations of the effect on the environment of the business' activities (environmental risk assessment), formulation of action plans for achieving environmental targets, preventive environmental preservation activities,

tracking through internal and third-party audits, management reviews, and emergency response training in case of accidents.

In FY2023, we implemented management improvements using a risk management system (RMS) and an environmental management system (EMS) including inspections by the General Manager of the Safety & Environmental Control Dept., training for new site managers, environmental communication, and dissemination of information through REC (Risk Environment Compliance) e-newsletter used to periodically distribute information within the company concerning the environment, quality, and compliance. Each site set a target of enhancing their ability to respond to environmental problems and took measures in accordance with their individual business site plans using management systems. As a result, in FY2023 there were no significant environmental accidents or violations that had a substantial impact on the environment or society.

## FY2024 Environmental Policy and Targets

Policy	FY2024 Targets
Use an environmental management system (EMS) to strengthen environmental management, prevent environmental problems, and address global environmental issues.	<ul style="list-style-type: none"> <li>Eliminate environmental accidents and compliance breaches</li> <li>Reduce greenhouse gas (GHG) emissions</li> <li>Promote preservation of nature that creates biodiversity</li> </ul>

# Information Security

## Approach and Policy

To promote information security management throughout the SMM Group, we have established and implemented a security policy consisting of the "Information Security Regulations" and "Group-wide Standards for Information Security."

### FY2024 Information Security Policy

- Strengthening responses to changing information security threats.
- We will strengthen measures against ransomware, which has been causing numerous incidents of harm in Japan and overseas.
  - We will review systems and work to strengthen security.

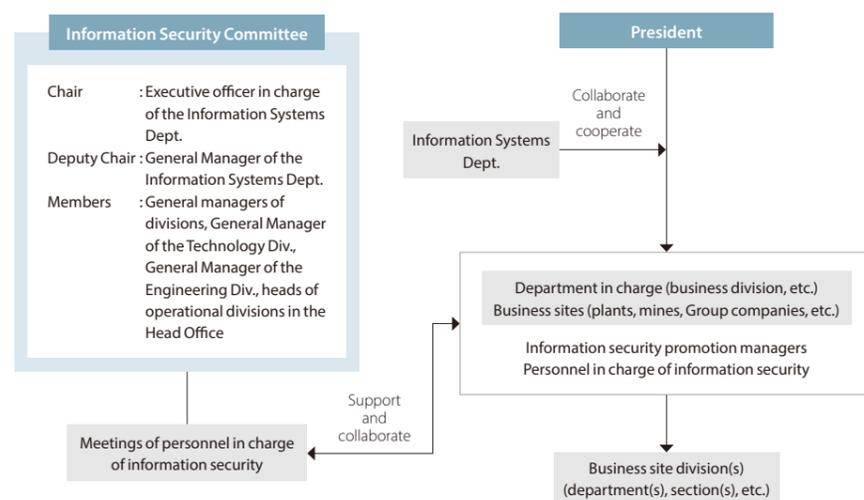
## Promotion Framework

The Information Security Committee regularly deliberates Group-wide strategies and basic policies regarding information security, as well as Group-wide measures for information security. The Information Security Committee consists of the executive officer in charge of the Information Systems Dept. as the Chair, the General Manager of the Information Systems Dept. as the Deputy Chair, the general managers of divisions, the General Manager of the Technology Div., the General Manager of the Engineering Div., and the heads of operational divisions in the Head office as committee members, and the secretariat is set up as the Information Systems Dept.

Measures to improve the level of information security are led by the Information Systems Dept. and are specifically promoted with the cooperation of the information security promotion managers, who are the heads of the organizational units (plant, office, branch, etc.), and the information security personnel at each site. In order to facilitate promotion and follow up of the measures, the Information Systems Dept. serves as the secretariat for the meetings of personnel in charge of information security, which are held regularly.

The implementation status of the measures is fed back to the Information Security Committee and actions are taken as necessary.

### Promotion Framework



## Response to Information Security Risks

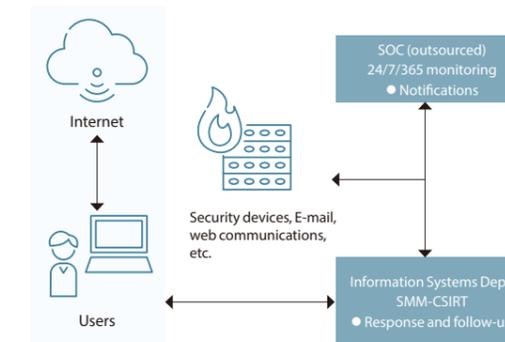
To ensure the safety of in-house information assets from increasingly sophisticated cyber security attacks, we are taking countermeasures on both a system and human level.

For threats such as cyber-attacks from outside, the SOC,<sup>\*1</sup> to which we are outsourced, monitors newly detected malware, targeted e-mails, and other threats 24 hours a day, 365 days a year. When an abnormality is detected, we have a system in place where the Information Systems Dept. is promptly contacted and,

together with the SMM-CSIRT<sup>\*2</sup> quickly implements an appropriate response.

We also educate and train employees through e-learning and targeted attack e-mail drills to prevent damage from cyber-attacks.

<sup>\*1</sup> Security Operation Center (SOC): An organization specializing in monitoring and analyzing information from security devices, taking countermeasures, etc.  
<sup>\*2</sup> Computer Security Incident Response Team (CSIRT): The generic name for the organization that analyzes the causes of computer security problems, investigates the scope of impact, and responds



## Response to Security Incidents

The SMM-CSIRT, consisting of the Information Systems Dept. and representatives from user departments, has been established to respond promptly and prevent the spread of damage in the unlikely event of a serious security incident despite the security measures taken.

We codify the main response processes in the event of an incident, and the Information Systems Dept. and the relevant user

departments work together to respond to incidents and bring them to an early end, while also working along with external responses.

SMM-CSIRT is a member of the Nippon CSIRT Association (NCA), cooperates with external organizations, and is enhancing responsive capabilities by participating in the annual incident response training held by NCA.

# Directors and Audit & Supervisory Board Members

(As of June 26, 2024)

The number of shares of the Company owned is as of May 31, 2024

## Directors



Born: 1960  
Apr.1984 Joined the Company  
Apr.1987 Executive Officer  
Jun.2013 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 Representative Director (Present Position) President and Director President (Executive Officer)  
Jun.2024 Chairman and Director (Present Position)

**Akira Nozaki**

Representative Director  
Chairman and Director

Number of shares of the Company owned: 23,700



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.  
Jun.2019 Director  
Jun.2020 Managing Executive Officer  
Jun.2022 Senior Managing Executive Officer  
Jun.2024 Representative Director (Present Position) President and Director (Present Position) President (Executive Officer) (Present Position)

**Nobuhiro Matsumoto**

Representative Director  
President and Director  
President

Number of shares of the Company owned: 7,900



Born: 1966  
Apr.1990 Joined the Company  
Jun.2016 General Manager of Harima Refinery, Non-Ferrous Metals Div.  
Jul. 2017 General Manager of Toyo Smelter & Refinery, Non-Ferrous Metals Div.  
Jun.2020 Executive Officer  
Jan. 2021 Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun.2023 Director (Present Position) Managing Executive Officer (Present Position) General Manager of Non-Ferrous Metals Div. (Present Position)

**Masaru Takebayashi**

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

Number of shares of the Company owned: 3,800



Born: 1964  
Apr.1987 Joined the Company  
Jun.2016 General Manager of Corporate Planning Dept.  
Jun.2018 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun.2021 Senior Deputy General Manager of Advanced Materials Div.  
Jun.2022 Managing Executive Officer (Present Position) General Manager of Advanced Materials Div.  
Jun.2023 General Manager of Corporate Planning Dept. (Present Position)  
Jun.2024 Director (Present Position)

**Hiroshi Yoshida**

Director  
Managing Executive Officer  
General Manager of Corporate Planning Dept.

Number of shares of the Company owned: 4,200



Born: 1964  
Apr.1989 Joined the Company  
Mar.2018 Planning & Administration Dept., Technology Div.  
Jun.2019 General Manager of Niihama Research Laboratories, Technology Div.  
Jun.2021 Executive Officer Senior Deputy General Manager of Technology Div.  
Jun.2023 General Manager of Technology Div.  
Jun.2024 Director (Present Position) Managing Executive Officer (Present Position) General Manager of Mineral Resources Div. (Present Position)

**Hideyuki Okamoto**

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

Number of shares of the Company owned: 2,600



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)

**Taeko Ishii**

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  
Jun.2020 Director of the Company (Present Position)  
Jun.2021 Retired as Senior Officer of NEC Corporation

**Manabu Kinoshita**

Outside Director

Number of shares of the Company owned: 0



Born: 1946  
Apr.1970 Joined Ajinomoto Co., Inc.  
Jul. 1988 Head of Central Research Center of Ajinomoto Co., Inc.  
Jul. 1993 Head of Development Planning Dept. of Ajinomoto Co., Inc.  
Oct.1993 Member of the Board; General Manager, Electronic Materials Division of Ajinomoto Fine-Techno Co., Inc.  
Jun.2002 Member of the Board and Senior Managing Director, General Manager, Electronic Materials Division of Ajinomoto Fine-Techno Co., Inc.  
Jun.2004 Member of the Board and Vice President of Ajinomoto Fine-Techno Co., Inc.  
Jul. 2008 Chief Director of Ajinomoto Co., Inc.  
Jun.2009 Retired as Chief Director of Ajinomoto Co., Inc.  
Jun.2012 Advisor of Ajinomoto Fine-Techno Co., Inc.  
Jun.2014 Retired as Advisor of Ajinomoto Fine-Techno Co., Inc.  
Jun.2024 Director of the Company (Present Position)

**Koji Takeuchi**

Outside Director

Number of shares of the Company owned: 0

## Audit & Supervisory Board Members



Born: 1962  
Apr.1986 Joined the Company  
Jun.2014 General Manager of Legal & General Affairs Dept.  
Apr.2019 General Manager of General Affairs Dept.  
Jun.2021 Audit & Supervisory Board Member (Standing)  
Jun.2022 Senior Audit & Supervisory Board Member (Standing) (Present Position)

**Koji Imai**

Senior Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned: 1,500



Born: 1964  
Apr.1988 Joined the Company  
Jul. 2015 Public Relations & Investor Relations Dept.  
Apr.2018 Finance & Accounting Dept.  
Jun.2022 Audit & Supervisory Board Member (Standing) (Present Position)

**Tsuyoshi Nozawa**

Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned: 800



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)

**Shoji Wakamatsu**

Outside Audit & Supervisory Board Member

Number of shares of the Company owned: 0



Born: 1958  
Apr.1982 Joined Export-Import Bank of Japan  
Oct.2008 Head of Credit Department of Japan Bank for International Cooperation, Japan Finance Corporation  
Jan. 2011 Head of Corporate Management Office of Japan Bank for International Cooperation, Japan Finance Corporation  
Apr.2012 Western Japan Representative of Japan Bank for International Cooperation  
Dec.2013 Executive Officer, Western Japan Representative of Japan Bank for International Cooperation  
Jun. 2015 Retired as Executive Officer of Japan Bank for International Cooperation  
Jul. 2015 Retired from Japan Bank for International Cooperation  
Aug.2015 Advisor of Nomura Securities Co., Ltd.  
Jun. 2017 Retired as Advisor of Nomura Securities Co., Ltd. Executive Managing Director, CEO of JBIC IG Partners  
Jun. 2023 Retired as Executive Managing Director, CEO of JBIC IG Partners  
Jun. 2024 Audit & Supervisory Board Member of the Company (Present Position)

**Tsuguya Ieda**

Outside Audit & Supervisory Board Member

Number of shares of the Company owned: 0

## Executive Officers

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

President	Managing Executive Officers	Executive Officers	Executive Officers
<b>Nobuhiro Matsumoto*</b>	<b>Hiroshi Yoshida*</b> General Manager of Corporate Planning Dept. In charge of Human Resources Dept., Legal Dept., Digital Transformation Dept., Safety & Environment Control Dept., Quality Assurance Dept., and Internal Audit Dept.	<b>Shinichi Sato</b> General Manager of Advanced Materials Div.	<b>Mihoko Yano</b> General Manager of Sustainability Dept. In charge of General Affairs Dept., Public Relations & Investor Relations Dept., and Osaka Branch
	<b>Katsuya Tanaka</b> General Manager of Battery Materials Div.	<b>Munekazu Kawata</b> Senior Deputy General Manager of Battery Materials Div.	<b>Naoki Kawai</b> Senior Deputy General Manager of Non-Ferrous Metals Div.
	<b>Masaru Takebayashi*</b> General Manager of Non-Ferrous Metals Div.	<b>Yusuke Niwa</b> Senior Deputy General Manager of Non-Ferrous Metals Div.	<b>Takahiro Hagiwara</b> Senior Deputy General Manager of Mineral Resources Div.
	<b>Hideyuki Okamoto*</b> General Manager of Mineral Resources Div.	<b>Kazuaki Sakamoto</b> General Manager of Engineering Div.	<b>Toru Kitazaki</b> Senior Deputy General Manager of Non-Ferrous Metals Div.
	<b>Kazuhiko Hotani</b> General Manager of Finance & Accounting Dept. In charge of Secretarial Dept., Purchasing Dept., and Information Systems Dept.	<b>Hirohiko Matsushita</b> General Manager of Besshi-Niihama District Div.	<b>Kenji Hara</b> Senior Deputy General Manager of Engineering Div.
	<b>Toru Motoki</b> General Manager of Technology Div.	<b>Yasumasa Hattori</b> Senior Deputy General Manager of Technology Div.	<b>Yukinori Okano</b> Senior Deputy General Manager of Battery Materials Div.
		<b>Yoshihiro Sagawa</b> Senior Deputy General Manager of Mineral Resources Div.	