Policy on responsible sourcing of cobalt raw materials

Sumitomo Metal Mining Co., Ltd.

Sumitomo Metal Mining Co., Ltd. (SMM), as has agreed with the intent of and expressed support for EITI*, based on the SMM Group Responsible Mineral Sourcing Policy, respects the guidance established by the Organisation for Economic Co-operation and Development (OECD) regarding mineral sourcing, exercises appropriate influence over suppliers, and strives to ensure transparency in the supply chain of raw materials so that SMM will not contribute to human rights abuses such as child labor and forced labor, environmental destruction, illegal mining and corruption, and that sourcing of raw materials will not lead to the financing of armed groups. SMM’s policy regarding responsible sourcing of cobalt raw materials is as shown below.

※1 EITI (The Extractive Industries Transparency Initiative)
The EITI is a framework for cooperation between numerous countries for the promotion of responsible resource development with the aim of preventing corruption and conflict and as such promoting economic growth and a reduction of poverty through increased transparency in the flow of funds to the governments of resource-rich countries from extractive industry for the development of resources such as oil, gas, and minerals.

1. General Provision
SMM will conduct responsible sourcing of cobalt raw materials to help prevent systematic and widespread abuses of human rights, avoid contributing to conflicts, help prevent money laundering and the financing of terrorism, and safeguard occupational health and safety of miners. We will have our sourcing of cobalt raw materials audited by an independent third-party.

2. Organization and responsibility
SMM specifies the department and individual that are responsible for procuring cobalt raw materials and supplying them to our refineries. The refineries do not procure cobalt raw materials on their own.

3. Criteria for determining high-risk supply chains
SMM shall consider the following Red flags to determine high-risk supply chains.

(Red flag locations of origin and transit)
- The mineral originates from or has been transported through a conflict-affected and high-risk area which is determined by SMM.
- The mineral is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of the mineral.
- The mineral is claimed to originate from a country through which minerals from conflict-affected and high-risk areas are known or reasonably suspected to transit.
- The mineral is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where minerals from conflict-affected and high-risk areas is known or reasonably suspected to transit.
- Any of the following is reasonably suspected: 1) Serious abuses of human rights, 2) Direct or indirect support to non-state armed groups or public or private security forces, 3) Bribery and fraudulent misrepresentation of the origin of the mineral, 4) Money laundering, 5) Inappropriate payment of taxes, fees and royalties to governments, 6) Occupational health and safety conditions that are not adequate to safeguard the physical and mental health of miners directly and indirectly employed by a mining company.

(Supplier Red flags)
- Suppliers of cobalt raw materials or other known upstream companies operate in one of the abovementioned red flag locations of mineral origin and transit, or have shareholder or other interests in suppliers of the mineral from one of the abovementioned red flag locations of mineral origin and transit.
- Suppliers of cobalt raw materials or other known upstream companies are known to have
sourced the mineral from a red flag location of mineral origin and transit in the last 12 months.

4. Use of management system
   1) Due diligence
      - SMM conducts due diligence of its supply chains of cobalt raw materials and assess risks.
      - SMM conducts enhanced due diligence for high-risk supply chains before deciding whether to start a trade.

   2) Monitoring of transaction
      - Cobalt raw materials that are delivered to our refineries are inspected and weighed onsite to examine the consistency with the transaction information held by the procurement department.
      - Periodic internal audits are conducted in order to monitor and confirm that due diligence is performed appropriately of the supply chains of cobalt raw materials. We will have our sourcing of cobalt raw materials audited by an independent third-party.

   3) Training
      - Training will be continuously provided to the personnel who perform sourcing and onsite inspection of cobalt raw materials.

   4) Maintenance of records
      - SMM maintains specific records on the sourcing of cobalt raw materials for a defined period of time.

5. Public reporting
   SMM publishes a report every year on the supply chain due diligence of cobalt raw materials.