

# Basic Policies on Corporate Governance

## **Preamble**

PACIFIC METALS CO., LTD. (hereinafter, the “Company”) has established and published these Basic Policies on Corporate Governance (hereinafter, “these Basic Policies”) by resolution of the Board of Directors, with the aim of achieving sustainable growth and enhancing medium- to long-term corporate value, based on its company philosophy: “Leverage the power of people to deliver the earth’s resources in more useful forms and contribute to the happiness of humankind.”

These Basic Policies indicate the Company’s views on corporate governance and corporate governance frameworks. Should the Company amend these Basic Policies based on changes in its business or environment, it shall disclose these amendments in a timely and appropriate manner.

## **Chapter 1. General Provisions**

(Basic Views on Corporate Governance)

Article 1. The Company shall enhance corporate governance in accordance with the following basic views.

- (i) The Company shall respect the rights of all shareholders and ensure equality.
- (ii) The Company shall collaborate with all stakeholders, including shareholders, consumers, business partners, employees, and local communities, sincerely and appropriately, considering their interests.
- (iii) The Company shall proactively disclose information that could serve as a basis for investment decisions, in addition to disclosing information appropriately in compliance with relevant laws and regulations.
- (iv) The Company’s Board of Directors shall be responsible for achieving sustainable growth and maximizing medium- to long-term corporate value based on its fiduciary responsibility to shareholders. To this end, the Company shall establish a fair and transparent management structure by introducing an executive officer system to separate decision-making and business execution functions and by strengthening the business execution supervisory function through the appointment of outside officers (Outside Directors and Outside Auditors).
- (v) The Company shall engage in constructive dialogue with shareholders to achieve sustainable growth and maximum medium- to long-term corporate value.

## **Chapter 2. Ensuring Shareholder Rights and Equality**

### **(General Shareholders Meeting)**

Article 2. The Company shall dispatch the Notice of Convocation of the Annual General Shareholders Meeting at least three weeks before the date of the meeting, to allow shareholders time to fully examine the content of the proposals and appropriately exercise their rights. Moreover, the Company shall disclose the Notice of Convocation through the securities exchange and on its corporate website prior to dispatching it.

2. The Company shall endeavor to enhance the environment for the electronic exercise of voting rights to enable all shareholders to appropriately exercise their voting rights.
3. The Company shall disclose an English translation of the Notice of Convocation of the Annual General Shareholders Meeting to enable all shareholders to appropriately exercise their voting rights.

### **(Ensuring Shareholder Equality)**

Article 3. The Company shall facilitate the exercise of rights by shareholders and engage in timely and appropriate disclosure to prevent any information disparity between shareholders, to equally secure the rights of all shareholders.

### **(Cross-shareholdings)**

Article 4. The Company shall hold shares of other companies as cross-shareholdings to maintain or strengthen business relationships and enhance the medium- to long-term corporate value of investee companies and the Company.

2. When exercising voting rights associated with cross-shareholdings, the Company shall consider whether the relevant proposal would contribute to enhancing the corporate value of the investee company and the Company, as well as factors such as the return from the business relationship and shareholding.
3. The Company shall verify factors such as the medium- to long-term economic rationale and future outlook for each individual cross-shareholding, based on the conditions presented in the previous paragraph, and the purpose and rationale for each shall be explained periodically at the Board of Directors' meetings.
4. Based on the results of the above verification and other factors, the Company shall consider the reduction of its cross-shareholdings in a phased manner.

### **(Related Party Transactions)**

Article 5. In cases where the Company plans to conduct related party transactions with Directors,

subsidiaries, or other related parties, the Company shall obtain the prior approval of the Board of Directors to ensure that such transactions do not harm the common interests of the Company and its shareholders. Moreover, where the Company has conducted related party transactions, the details of these transactions shall be periodically reported to the Board of Directors.

### **Chapter 3. Consideration for the Interests of Stakeholders**

(Corporate Code of Ethics and Standard of Corporate Conduct)

Article 6. To ensure that its officers and employees behave in an ethical manner, the Company has established the Corporate Code of Ethics and Standard of Corporate Conduct by resolution of the Board of Directors, and disclosed these on its website.

2. The Company shall conduct a review of the Corporate Code of Ethics and Standard of Corporate Conduct each year. Any amendments shall be approved by the Board of Directors.

(Relationships with Stakeholders)

Article 7. The Company shall consider the interests of all stakeholders, including shareholders, to enhance corporate value in the medium and long term.

2. The Company has established a whistle-blowing system to enable all stakeholders, including shareholders, can report information on legal and regulatory violations at the Company, based on the Rules of Whistle-blowing System. These rules stipulate that whistle-blowers shall not be subject to disadvantageous treatment from the Company as a result of making this report.

(Roles of Corporate Pension Funds as Asset Owners)

Article 8. In managing its corporate pension funds, a person in the Company's Personnel & Labor Relation Dept. receives regular reports from the external fund manager, and the Company has established a system that enables timely and close coordination with the fund manager.

2. Based on the initiatives described in the previous paragraph, the Company shall appropriately manage any conflicts of interest that may arise between pension fund beneficiaries and the Company.

(Response to Sustainability Issues)

Article 9. The Company perceives its response to sustainability issues, including consideration for global environmental issues such as climate change, respect for human rights, consideration for employee health and working environment, fair and appropriate compensation, fair and proper transactions with trading partners, natural disasters and other crisis management, as a

key management issue, not only for risk mitigation but also in terms of revenue opportunities. The Company shall proactively and actively consider initiatives to address these issues from the perspective of enhancing corporate value in the medium and long term.

#### **Chapter 4. Ensuring Appropriate Information Disclosure and Transparency**

##### **(Information Disclosure Policy)**

Article 10. The Company shall determine policies concerning risk management, internal control systems, legal and regulatory compliance, and other issues, based on the Companies Act and other relevant laws and regulations, and disclose these policies in a timely and appropriate manner.

2. The Company shall disclose financial and non-financial information in a timely and appropriate manner, using fair, detailed, simple and accessible methods, in accordance with the provisions of the Companies Act, the Financial Instruments and Exchange Act, and other relevant laws and regulations, as well as the rules of the securities exchange. The Company will actively disclose information as necessary, even if it is not required by the relevant laws, regulations, and other rules.

#### **Chapter 5. Duties of the Board of Directors, etc.**

##### **Section 1. The Responsibility of the Board of Directors as a Supervisory Organ**

##### **(Role of the Board of Directors)**

Article 11. The Company's Board of Directors decides on important matters prescribed in the agenda standards of the Board of Directors Regulations, in addition to matters prescribed by the relevant laws and regulations and the Company's Articles of Incorporation.

2. The Company's Board of Directors delegates to Executive Officers swift decisions on the execution of business, excluding the matters described in the previous paragraph.

##### **(Role of Independent Outside Directors)**

Article 12. The Company's Independent Outside Directors shall validate and evaluate the Company's management results, etc. as appropriate, in the context of medium-term business plans and implementation plans (single fiscal year business plans), and express opinions on the Company's senior management from the perspective of the interests of shareholders and other stakeholders.

(Chairperson of the Board of Directors)

Article 13. The Chairperson of the Company's Board of Directors shall be appointed by the Board of Directors, as prescribed in the Company's Articles of Incorporation.

2. The Chairperson of the Company's Board of Directors shall endeavor to raise the quality of discussions by the Board of Directors and ensure the effectiveness and efficiency of Board of Directors meetings.

Section 2. Effectiveness of the Board of Directors

(Composition of the Board of Directors)

Article 14. The Company's Board of Directors shall have no more than fifteen members, as prescribed in the Company's Articles of Incorporation. No less than one-third of these shall be Independent Outside Directors.

(Directors' Qualifications and Nomination Procedures, and the Diversity of the Board of Directors as a Whole)

Article 15. The Company shall select Directors who possess outstanding character, insight, and abilities, as well as extensive experience and high ethical standards.

2. The Company shall select Directors with regard to diversity, in terms of factors such as gender, age, nationality, and skills.
3. The term of office of all Directors of the Company shall be one year, and they shall be appointed by resolution of the Annual General Shareholders Meeting.
4. New candidates for the office of Director of the Company shall be selected based on the standards set forth in this article, and determined by the Board of Directors.

(Policies and Procedures for the Appointment and Dismissal of Senior Management)

Article 16. The Company shall select senior management from among the Directors selected based on the conditions set forth in the previous article, by resolution of the Board of Directors, with regard to factors such as past performance and experience.

2. Should the Board of Directors judge that a senior manager has committed a serious violation of laws, regulations, or the Company's Articles of Incorporation, the senior manager shall be dismissed in accordance with the procedures prescribed in the Companies Act.

(Auditors' Qualifications and Nomination Procedures)

Article 17. The Company shall select Auditors who possess outstanding character, insight, and abilities, as well as extensive experience and high ethical standards.

2. At least one of the Company's Auditors shall possess appropriate insight into finance and accounting.
3. The Company shall select Auditors with regard to diversity, in terms of factors such as gender, age, nationality, and skills.
4. New candidates for the office of Auditor of the Company shall be selected based on the standards set forth in this article, and determined by the Board of Directors, with the consent of the Board of Auditors.

(Establishment of the Nomination and Compensation Committee)

Article 18 The Company has established the Nomination and Compensation Committee with the aims of reinforcing the fairness, transparency, and objectivity of processes related to the nomination and compensation of Directors and Executive Officers and further enhancing the Company's corporate governance.

2. The Nomination and Compensation Committee shall be composed of at least three and not more than five members with a majority of Independent Outside Directors, and shall be chaired by an Independent Outside Director as filed with the Tokyo Stock Exchange.

(Role of the Nomination and Compensation Committee)

Article 19. In response to inquiries from the Board of Directors, the Nomination and Compensation Committee shall mainly deliberate on matters related to the appointment and dismissal of Directors and other officers, the compensation of Directors, and matters approved by other committees regarding the nomination and compensation of Directors, and shall provide advice and recommendations.

2. Basic matters concerning the Nomination and Compensation Committee are set forth in the Nomination and Compensation Committee Regulations.

(Duties of Directors)

Article 20. Directors of the Company shall collect sufficient information to perform their duties, and shall actively express and discuss their opinions.

2. Directors of the Company shall perform their duties as Directors by demonstrating the abilities expected of them and spending sufficient time on the Company's business.
3. Directors of the Company shall assume office with an understanding of the relevant laws and regulations, the Company's Articles of Incorporation, the Board of Directors Regulations and the Company's other internal regulations, and a full understanding of their duties.

(Policies on the Personal Enhancement and Training of Directors and Auditors)

Article 21. The Company shall provide Directors and Auditors with opportunities to undertake any training they need to perform their respective roles and duties, in a timely and appropriate manner.

2. On the appointment of an outside officer, the Company shall provide a briefing centered on its business description, internal regulations, and financial condition

(Operation of Board of Directors Meetings)

Article 22. Materials concerning agenda items and proposals to be submitted at meetings of the Company's Board of Directors shall be distributed in advance of the date of the meeting, to facilitate fuller discussion at meetings.

(Outside Officers' Access to Internal Information)

Article 23. Outside officers of the Company may, whenever they deem necessary or appropriate, request explanations or reports from Directors, Executive Officers, or employees, or request the submission of internal documents.

2. The relevant divisions of the Company shall respond to requests for the provision of information to outside officers in a timely and appropriate manner.

(Council of Outside Officers)

Article 24. The Company shall hold regular meetings of the Council of Outside Officers, composed of outside officers, to discuss matters such as the Company's business and corporate governance.

(Evaluation of the Effectiveness of the Board of Directors)

Article 25. The Company's Board of Directors shall periodically analyze and evaluate the effectiveness of the Board of Directors as a whole, with the aim of improving the functions of the Board and thus enhancing corporate value. The Company shall disclose a summary of the results of this analysis and evaluation in a timely and appropriate manner.



### Section 3. Compensation System

(Policy on Determining Compensation and Other Related Matters for Directors and Other Officers)

Article 26. Compensation, etc. for Directors of the Company shall be linked to the long-term interests of shareholders, and shall be appropriate, fair, balanced, and able to raise Directors' motivation to strive for the Company's sustainable growth and the maximization of corporate value in the medium and long term.

2. The Board of Directors shall determine the amounts of compensation for Directors reflecting, in a certain proportion, elements of performance-linked compensation, based on the regulations concerning officers' compensation established by the Company in accordance with the provision set forth in the previous paragraph.
3. Notwithstanding the provisions of the previous two paragraphs, compensation, etc. for Independent Outside Directors shall reflect their duties, and shall include no elements of stock-related compensation or other forms of performance-linked compensation.
4. Compensation, etc. for Directors of the Company shall be within the aggregate limits established by resolution of the General Shareholders Meeting, in accordance with the provisions of the Articles of Incorporation.
5. The Company shall use an appropriate method to disclose the amount of compensation, etc. paid to Directors and other officers.

### **Chapter 6. Dialogue with Shareholders**

(Dialogue with Shareholders)

Article 27. The Chairperson of the Board of Directors shall endeavor to ensure that the opinions of shareholders are thoroughly shared with all members of the Board of Directors.

2. The Company shall enhance systems to promote constructive dialogue with all shareholders by establishing the IR Committee led by the Director in charge of investor relations.
3. The Company shall disclose various information in a timely and appropriate manner, based on the Information Disclosure Policy set forth in these Basic Policies, and engage in constructive dialogue with shareholders. When engaging in dialogue, the Company shall appropriately manage insider information and take every precaution to prevent information disparity between shareholders.

**History of Revisions to these Basic Policies**

Established: November 11, 2015

Revised: June 29, 2017

Revised: December 12, 2018

Revised: May 20, 2021

Revised: June 24, 2022