



Three management systems - Quality Management, Environmental Management, and Occupational Health and Safety Management - are operated as an Integrated Management System (IMS). This system is maximally utilized, with management policies positioned with IMS policies as goal attainment tools in PAMCO-2021.

## ISO certification registration

Pacific Metals is ISO 9001, ISO 14001 and OHSAS 18001 certified. Since FY2015, the three systems have been inspected at the same time as an integrated inspection.

In FY2018, the organizational structure underwent changes, however, no major defects were found in the management system, and so the certification registration was maintained.

### ■ Certification registration information

Certification standard	Registration scope	Registration No.	Expiry date	Initial registration
ISO9001:2015	Tokyo Head Office / Hachinohe Head Office (Manufacturing Works)	0314	February 15, 2021	April 9, 1998
ISO14001:2015		E1998		March 19, 2009
OHSAS18001:2007		H063		February 16, 2012



customers who are the main stakeholders, and capture the biggest mission, which is stability of ferronickel prices and stable supply, for our business activities.

In ISO 9001, as a policy for strengthening internal control for PAMCO-2021, the development of a new human resource system and activities to enhance awareness toward preventing suspicious activity such as data tampering, etc., were highly regarded as important activities for supporting business continuity.

In ISO 14001, we were evaluated on our energy and resource conservation, reduction of CO<sub>2</sub> emissions, no deviation from the standards and fulfillment of the compliance obligations as we do each year, our efforts to prevent environmental accidents, and so on.

In OHSAS 18001, we were evaluated on strengthening our efforts toward preventing accidents, for which there were six cases last year, although accidents had been declining since operations started in 2012; improvements to our processes based on the work environment measurement results; and significant improvements in the dust management category.

In the integrated inspection, the examiner judged that the system is being maintained appropriately under the strong leadership of management. In particular, the formulation format of the "Goal activity themes of the medium-term management plan" was revised in conjunction with the migration to the 2015 version, and the system was evaluated on the development and operation of a mechanism that checks the validity of activities, and the fact that we anticipate the needs of the

## Initiatives to comply with regulations

Pacific Metals positions regulatory compliance as one of the most important business activities, regularly monitoring and inspecting sites and documents based on the compliance-related procedure. In FY2018, there were no significant violations of regulations or standards.

Moreover, regarding work accidents in FY2018, there were two cases each at Pacific Metals and the affiliated companies. It has been six years since we introduced our occupational health and safety management system, and we rotate the management cycle and carry out safety activities on an ongoing basis, however, unfortunately, in FY2018, we were

unable to achieve our target of zero accidents.

To prevent work accidents, we established a "Plan - Do - Check - Act" process that forms the basis on the management system, and together with promoting a new level of independent health and safety management in the workplace, there are calls to form an even safer work environment.

We are aiming for each and every employee to be aware of their responsibilities and improve their safety awareness through acting independently, and to work as one with the Company and affiliated companies to achieve zero accidents.

## Environmental accounting and safety accounting

The aggregated results for environmental accounting and safety accounting for FY2018 are shown below.

### ■ Environment accounting aggregated results (environmental preservation costs)

Classification	Main content	Cost (10,000 yen)
(1) Business area costs	Pollution prevention costs	17,799
	Global environment preservation costs	4
	Resource recycling costs	16,807
(2) Management activity costs	International Organization for Standardization (ISO) inspection costs	2,948
	On-site tree planting and management costs	
	Sustainability report publishing costs	
	Various monitoring equipment maintenance and management costs	
(3) Social activities costs	General road cleaning costs for the vicinity	20
(4) Costs of dealing with any environmental damage	Pollution load levy	13,115
<b>Total</b>		<b>50,693</b>

We spent approximately 500 million yen for environmental accounting. Most of them are pollution prevention costs and resource recycling costs, followed by the pollution load levy\*1.

We spent approximately 40 million yen for safety accounting. They were mainly the costs for safety and health protective equipment and health checkups.

\*1: We installed a smoke generator as of April 1, 1987, and it is a levy required to be paid by businesses that emit sulfur oxides and have a certain level of exhaust gas. The Company has fulfilled its obligations since the start of the system.

### ■ Safety accounting aggregated results

Classification	Amount (10,000 yen)
(1) Capital investment (constructions for safety measures, etc.)	475
(2) Safety, health, and disaster prevention education costs	453
(3) Legal inspection costs (boilers, cranes, firefighting related)	736
(4) Health checkup fees	1,000
(5) Safety and health protective equipment costs	1,297
<b>Total</b>	<b>3,961</b>

## Supply chain management

Pacific Metals carries out various activities that take into consideration harmony with the environment, not only at production sites, but at each step in the supply chain.

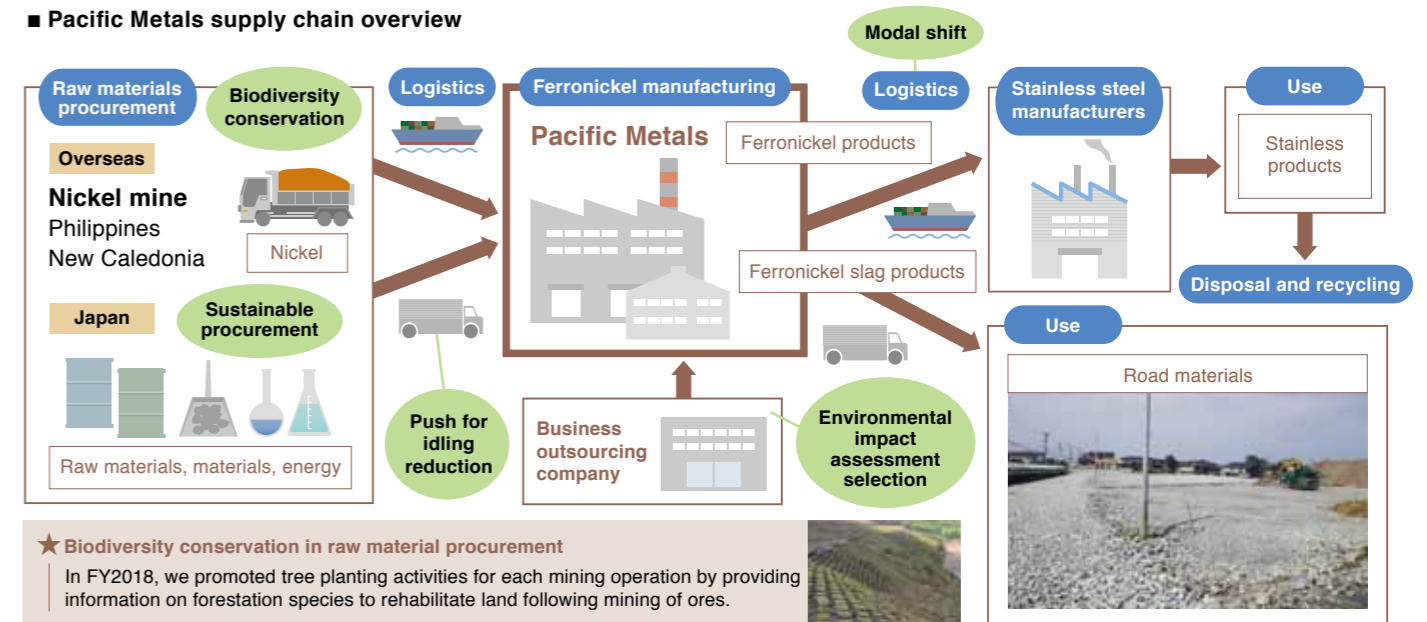
The nickel ore that is the raw material for ferronickel is imported from the Philippines and New Caledonia. In the local mines, we have an obligation to plant trees for rehabilitation purposes where possible after mining ore.

In FY2018, we collected information about those trees,

and provided that information to each mine after obtaining permission to be able to disclose the information.

In addition, internationally standardized safety regulations are in place for sea shipping of solid cargo such as ores. We actively comply with the international regulations, and we consider the environment and have safety measures in place to prevent shipping accidents.

### ■ Pacific Metals supply chain overview



#### ★ Biodiversity conservation in raw material procurement

In FY2018, we promoted tree planting activities for each mining operation by providing information on forestation species to rehabilitate land following mining of ores.

Grasses and trees planted for slope stability and greening

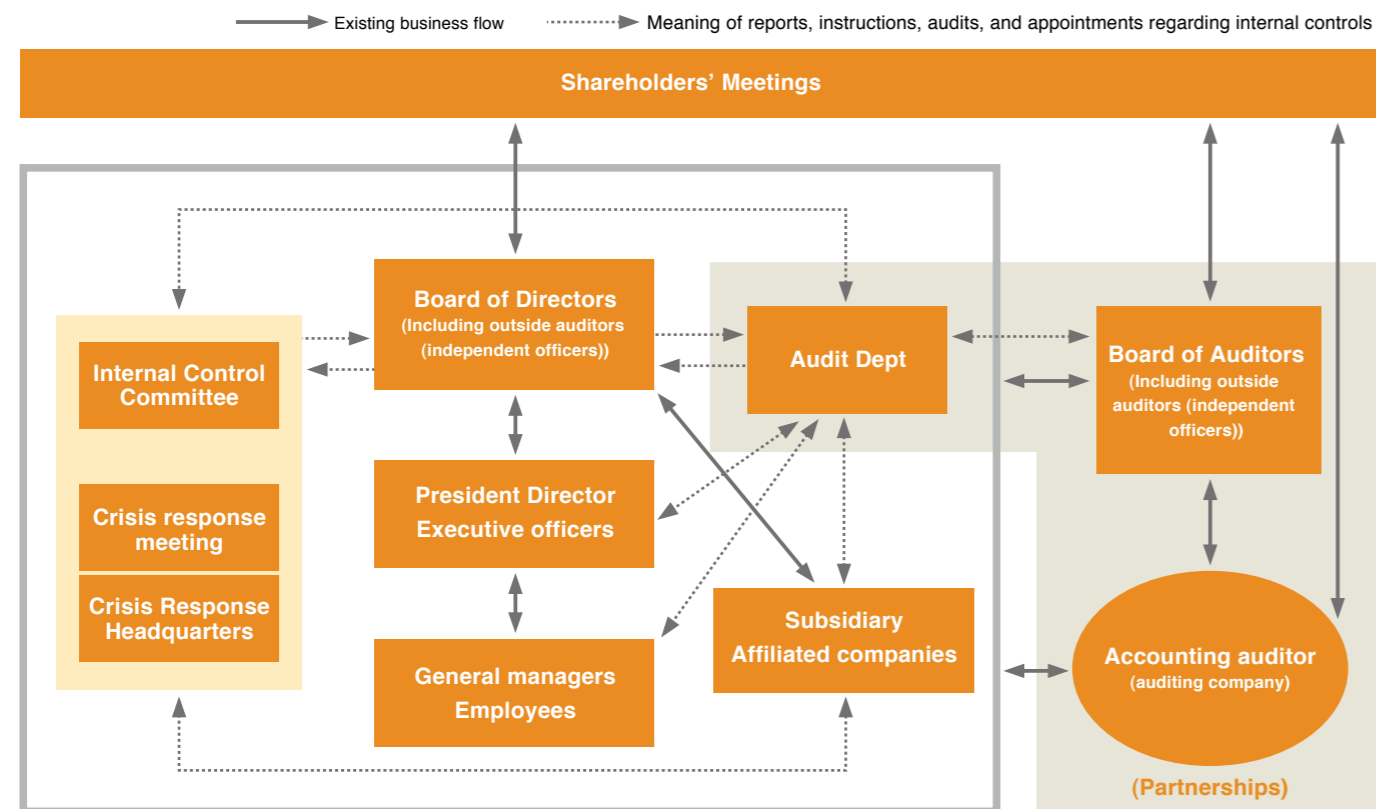
Aiming to improve corporate value, the Company strives to strengthen and enhance corporate governance through rapid decision making and management efficiency, and through ensuring transparency and soundness of management by strengthening supervisory functions. In doing so, we are also taking appropriate measures related to risk management and compliance.

## Corporate governance system

The basic principle of the Company is to enhance corporate governance centered on the director/auditor system and to build a fair and transparent management structure.

Since June 2019, the Company's management structure has been composed of nine directors, including two outside directors, and four auditors, including three outside auditors.

### ■ Corporate governance system



#### ● Board of Directors

In order to respond quickly and appropriately to changes in the management environment, the Board of Directors meets as needed in addition to holding monthly meetings to ensure prompt response, efficient business execution, and monitoring of business execution among directors.

#### ● Management Planning Committee

The Management Planning Committee is made up of directors, Directors and general managers who formulate company business management policies and management plans (original proposals) and report back to the president. The president proposes the plans to the Board of Directors based on the reports.

#### ● Board of Auditors

The Board of Auditors conducts audits to ensure the

impartial execution of duties by directors. In order to maintain independence, all auditors, including those on contract, can attend all Board of Directors meetings.

The Company has announced a "Basic Policy on Corporate Governance." This basic policy is intended to demonstrate the concept and framework of our corporate governance and to help all stakeholders, beginning with our shareholders, understand that the management of the Company is fair and highly transparent.

In addition, we conduct video training for all employees to learn basic knowledge of internal controls, to raise awareness as employees of what constitutes appropriate activity.

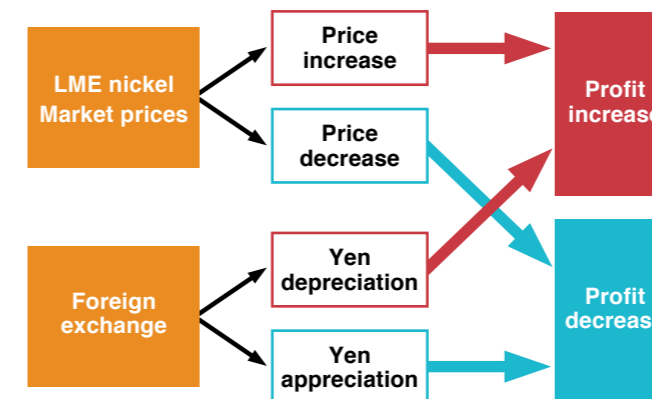
## Risk management

The environment surrounding companies is complex, fast changing with the presence of risks. In such a business environment, we take various measures to protect our business from risk.

Risks that may affect the Group's business results are limited to ferronickel products, which account for the majority of the business.

Factors affecting sales prices include LME nickel prices and foreign exchange rates, which have a major impact on our product prices. For this reason, a portion of our sales volume is hedged to take into account fluctuations in the price of LME nickel. The Company also has a policy to implement hedging against foreign exchange fluctuation risk for a portion of the value of our sales. The Company pays the utmost attention to changes in both factors in order to stabilize and secure earnings.

### ■ Main business risks



In response to large-scale accidents, disasters, and scandals, "Crisis Management Rules" have been established, aimed at building a system to prevent crises that would have a major impact on the Company, affiliates, and employees. During normal times, we hold crisis response meetings to conduct preventive activities for accidents and disasters, as well as regular equipment inspections. In order to take emergency measures, we have established a "Crisis Response Headquarters" and designated that the president be the head of this headquarters.

With regard to business management risks, the Board of Directors takes action and decides how to respond. In addition, we manage risk in daily business by developing management rules and business manuals.

## Compliance

The Board of Directors of the Company has established the "Management Policy," "Corporate Code of Ethics," and "Corporate Code of Conduct" to ensure compliance with laws and regulations. In addition, in order to ensure the execution of operations based on these policies and norms, we have established an Internal Control Committee as an advisory body to the Board of Directors to manage compliance.

The Company has set forth the following regarding compliance with and adherence to social norms, and all officers and employees, including directors, are aware of this in the performance of their duties.

1. Conduct corporate activities based on compliance, social norms and common sense.
2. Insulate us from anti-social forces that threaten the social order and safety, and conduct sound corporate activities.
3. In international business activities, comply with international rules and local laws, respect local cultures and customs, and conduct corporate activities that contribute to the development of that country.

In order to ensure compliance with laws and regulations in our operations, we regularly check the status of our compliance with relevant laws and regulations, identify problems, and conduct inspections every quarter in each department. The results are reported to the Board of Directors.

For education in compliance, we provide video training for new employees and managers to deepen awareness of the importance of compliance.

### Efforts to eliminate anti-social forces

The Company stipulates that it has no relationship with anti-social forces and organizations, and that it firmly rejects requests from anti-social forces and organizations.

We have had in place a system with established contact point to centrally manage information and for cooperating with related organizations such as the police and the Association of Special Violence Prevention Measures. In addition, we conduct video training such as "Tackling Unfair Requests and Responses" to raise awareness among employees.

[Click here for links to corporate governance](https://www.pacific-metals.co.jp/ir/governance.php) URL: <https://www.pacific-metals.co.jp/ir/governance.php>