

# Management

In the following section, we report on the management and CSR promotion systems used by JX Nippon Mining & Metals Corporation.

Corporate Governance

037

Corporate Governance / CSR Promotion System

Compliance / Risk Management

# Management

# Corporate Governance

## Corporate Governance

### Corporate Governance Systems within the JX Group

JX Nippon Mining & Metals Corporation, as a core operating company of the JX Group, is engaged in the non-ferrous metals business. JX Holdings Inc., the holding company of the JX Group, pursues its principal mission to promote groupwide development, innovation, and synergy, as well as to maximize corporate value by developing medium-to-long-term strategies for the JX Group and strategically allocating management resources in order to realize these strategies. To this end, we, along with the other core operating companies in the JX Group, have a responsibility to contribute to the improvement of the corporate value of the JX Group, through operating independently and autonomously our own business in accordance with the Group's strategy to achieve our business goals.

#### Board of directors of JX Holdings

The board of directors of JX Holdings is composed of a total of 16 directors, including:

- 8 full-time directors of JX Holdings
- 4 directors including the presidents of JX Nippon Mining & Metals and the other two core JX Group operating companies
- 4 external directors.

A total of six statutory auditors are employed, including two full-time corporate auditors and four outside auditors. The four external directors and four outside auditors are all independent directors/auditors.

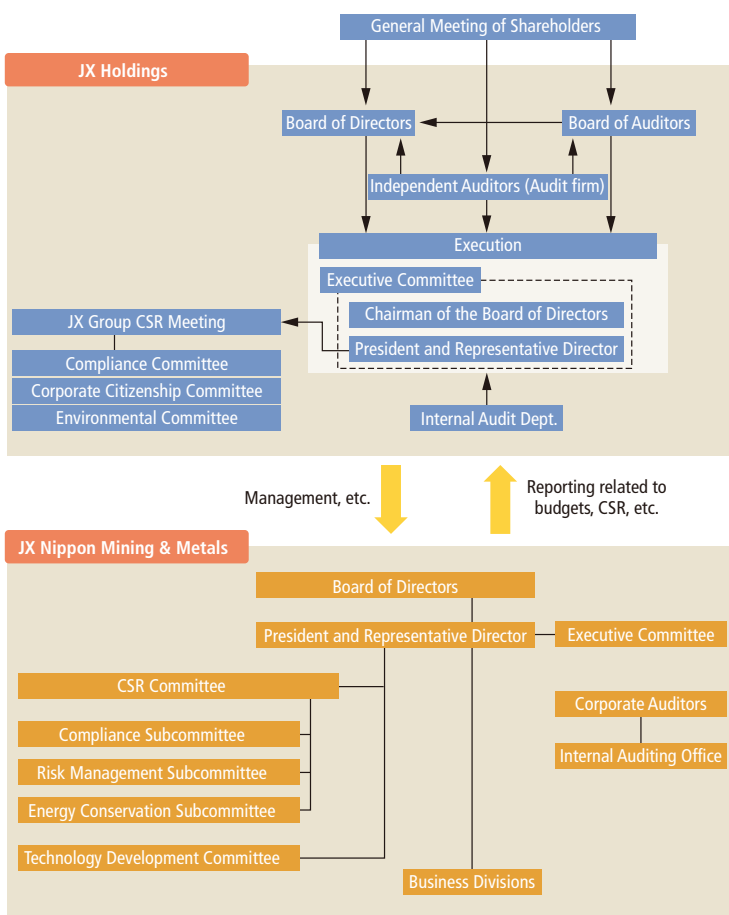
#### Collective conferences in the JX Group

The JX Group convenes the JX Group CSR Meeting for the purpose of developing and promoting basic policy related to CSR. The following three committees have been created under the JX Group CSR Meeting based on the three areas of the JX Group's CSR Action Policy.

- JX Group Compliance Committee: Discusses, reports, and shares information related to groupwide compliance (including information security and human rights).
- JX Group Corporate Citizenship Committee: Discusses, reports, and shares information related to groupwide corporate citizenship.
- JX Group Environmental Committee: Discusses, reports, and shares information related to groupwide environmental issues.

These committees consist of members chosen from JX Holdings and JX Group companies.

### Overview of the JX Nippon Mining & Metals Group's Corporate Governance System



#### Board of Directors

The Company has established the Board of Directors to discuss issues defined by laws, regulations, and the Articles of Incorporation, as well as other important management issues. The Board is composed of the president and eight other directors, as well as three auditors. (All nine directors are inside directors and serve concurrently as executive officers.)

#### Committee of Executive Officers

The Company has established the Committee of Executive Officers as an advisory body to the president. The committee has consultations regarding important issues related to the management of the Company. The status of operational execution is also reported to the committee. The committee consists of the president and executive officers, who the president has designated to participate in the committee. The full-time auditors can also participate in the committee to deliver their opinions.

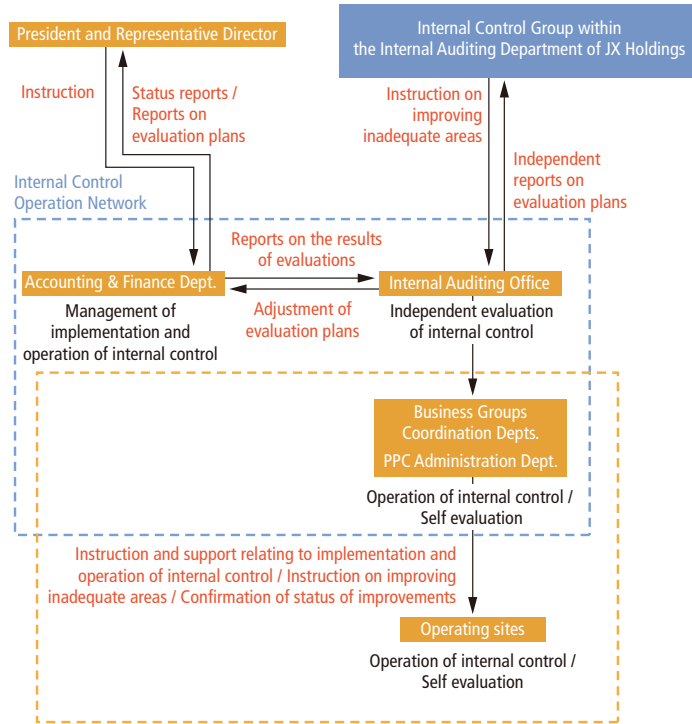
## Internal Control System

The Internal Control Group within the Internal Auditing Department of JX Holdings comprehensively manages compliance with the Financial Instruments and Exchange Act of Japan and groupwide internal control systems. Further, acting in accordance with the JX Group's response policies, JX Nippon Mining & Metals is constructing an internal control system to ensure appropriate financial reporting, as required by the Financial Instruments and Exchange Act.

### Compensation for directors and corporate auditors

Bonuses for the directors of JX Nippon Mining & Metals are determined on the basis of consolidated business results of the Company as well as of JX Holdings. Retirement benefits and stock options are not offered.

### Operation of the Internal Control System Related to Financial Reporting



Management

## CSR Promotion System

The CSR Committee, an advisory body to the president, is responsible for determining basic policies for the Group's CSR activities, assessing progress toward CSR-related goals, and evaluating CSR performance from economic, environmental, and social perspectives. The JX Nippon Mining & Metals Group makes a concerted effort to get CSR activities pervaded and stick root across the Group.

### Key CSR Activity Initiatives

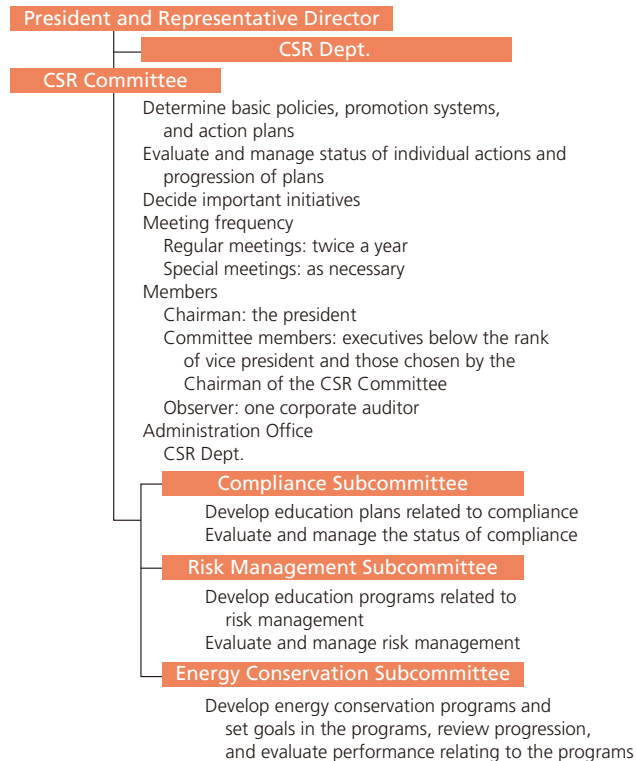
Fiscal 2006	<ul style="list-style-type: none"> <li>■ Period for introducing CSR activities</li> <li>• The new "Nippon Mining &amp; Metals Co., Ltd." was incorporated by the management integration of three metals companies.</li> <li>• The CSR Kick-Off Convention was held.</li> <li>• The CSR Committee and two of its subcommittees (the Compliance Subcommittee and Risk Management Subcommittee) were newly established.</li> <li>• The Corporate Philosophy, Code of Conduct, Basic Environmental Policy, Basic Policy on Health and Safety, and <u>Green Purchase Guideline</u> were compiled.</li> <li>• CSR activities were implemented at 24 operating sites.</li> </ul>
Fiscal 2007	<ul style="list-style-type: none"> <li>■ Period for promoting CSR activities at overseas operating sites</li> <li>• The Corporate Philosophy and Code of Conduct were translated into five languages (including English and Chinese) and distributed to and posted at each overseas affiliate company.</li> <li>• The boundary of CSR activities was expanded to 24 domestic and 4 overseas operating sites.</li> </ul>
Fiscal 2008	<ul style="list-style-type: none"> <li>■ Period for expanding and spreading awareness of CSR activities</li> <li>• The CSR Office was newly established within the Administration Department.</li> <li>• The boundary of CSR activities was expanded to 24 domestic and 14 overseas operating sites.</li> <li>• The CSR Action Policy was compiled.</li> <li>• The Group began supporting the Extractive Industries Transparency Initiative (EITI) and participating in the United Nations <u>Global Compact</u>.</li> <li>• The Energy Conservation Subcommittee was established under the CSR Committee.</li> </ul>
Fiscal 2009	<ul style="list-style-type: none"> <li>■ Period for spreading and integrating awareness of CSR activities</li> <li>• The CSR Office was separated from the Administration Department and became the CSR Department.</li> <li>• Basic quality control policy was established.</li> </ul>
Fiscal 2010	<ul style="list-style-type: none"> <li>■ Period for spreading and integrating awareness of CSR activities—a continuation from fiscal 2009</li> <li>• The Code of Conduct was revised and re-established based on the JX Group Mission Statement.</li> </ul>

# Corporate Governance

## CSR Promotion

The Group is striving to upgrade the quality of its CSR activities. In pursuit of this, it engages in CSR activities based on the CSR action policy, evaluates performance against the policy, and sets new annual goals going forward. At the same time, it checks to confirm whether or not business activities are in compliance with the JX Group's Mission Statement and Code of Conduct by implementing the PDCA cycle. (For further details regarding the goals and performance in fiscal 2009, please see pages 21 and 22.)

### CSR Promotion System



## Spreading Awareness of CSR Activities in Fiscal 2009

### Conducting CSR briefing sessions and roundtable discussions

CSR briefing sessions were held at operating sites both in Japan and overseas. We also carried out an employee survey related to our CSR activities and held roundtable discussions regarding CSR activities at operating sites both in Japan and overseas. Through these efforts, we worked to spread and share CSR awareness across the Group.

### Publishing Sustainability Report 2009

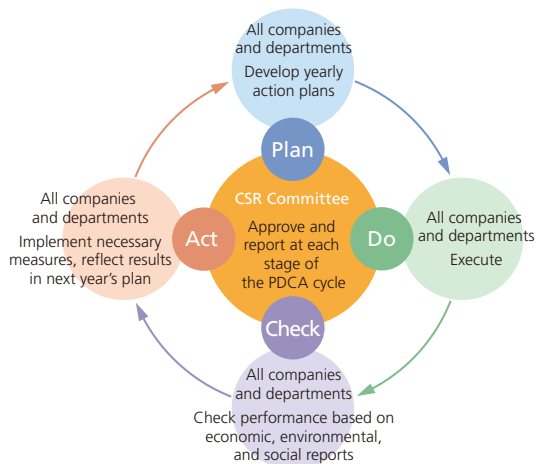
Both a full and digest version of Sustainability Report 2009 were published in Japanese, while the digest version was published in English. The Japanese full report attained the Application Level A+ as defined in the Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI).

### Carrying out an employee survey on our CSR activities

An employee survey on Sustainability Report 2009 and the Group's CSR activities was carried out, targeting executive officers and employees. With a response rate of 96.8% in the survey, we successfully disseminated and shared the importance of CSR awareness. The opinions and comments obtained through this survey will be used as tools for identifying areas for the enhancement of future CSR activities.

### Introducing the activities of the Energy Conservation Subcommittee

The Energy Conservation Subcommittee supports the promotion of energy conservation activities at various operating sites within the Group. This is achieved by way of formulating goals and action plans as well as monitoring the activities implemented, assessing the progress, and summarizing data related to energy consumption. In fiscal 2009, the subcommittee held a roundtable meeting with the president geared toward reducing CO<sub>2</sub> emissions, and discussed efforts to reduce the emissions at each operating site. This roundtable meeting helped deepen discussion on our future initiatives. (For further details, please see pages 25 to 28.)



## Compliance

### The Compliance Subcommittee

Basic policies, priority issues for each fiscal year, education, and other issues regarding compliance are managed by the Compliance Subcommittee. The members of this committee consist of executive officers in charge of divisions of the head office and managers responsible. The Compliance Subcommittee meets regularly twice a year and at other times as needed to discuss the status of compliance throughout the Group and decide upon basic policies regarding compliance. At the end of each fiscal year, the subcommittee is convened to hear progress reports with regard to compliance-related matters from all operating sites and subsequently summarizes these results. In addition, from these reports the subcommittee assesses the risks of fraud and law violations, identifies priority issues, and incorporates this information into future education programs.

### Compliance-related Education Programs

With the aim of increasing awareness about compliance and improving the level of understanding about basic points of concern, the Group organizes and conducts compliance-related education programs in Japan as part of the induction course for new recruits. The Group also organizes and conducts additional training programs for employees in their third year after joining the Company as well as for both newly promoted managers and assistant managers. Additionally, in fiscal 2009, compliance-related education programs were implemented based on the following two themes.

#### Education regarding the antitrust law

The Company implemented an education program at its head office regarding the antitrust law. A total of 75 employees working in the sales department at the head office and of related companies located near the head office took part in this program.

#### Education regarding export control

The Company holds explanation panels at its head office and at relevant operating sites regarding export control as one of the regular education programs. A total of 110 employees participated in these panels.

### Environment and Occupational Health and Safety

Each operating site operates in compliance with ISO 14001 in order to deal with environmental issues. (For further details pertaining to certification, please see page 70.) Meanwhile, the Group has been employing Occupational Health and Safety Management Systems (OHSMS) to move ahead with systemizing Groupwide compliance with the relevant laws and regulations in the areas of labor, health, and safety, while also improving risk management. (For further details, please see page 87.)

### Compliance Guidebook

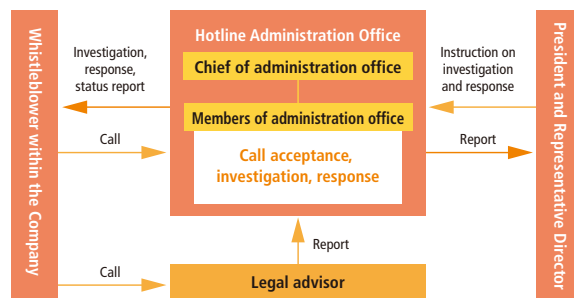
In addition to the compliance guidebook, the Group has distributed booklets describing the Code of Conduct, the Basic Environmental Policy, and the contact information for the Group Hotline.

### Group Hotline

The Group has established the Group Hotline for the purpose of preventing violations of the law as well as quickly uncovering and rectifying issues regarding such violations.

In fiscal 2009, there were no reports of compliance violations, including mistreatment and discrimination.

Management



# Corporate Governance

## Risk Management

### Initiatives of the Risk Management Subcommittee

Risk management issues are handled primarily by the Risk Management Subcommittee. This subcommittee meets twice a year and identifies and evaluates risks at major operating sites and divisions of JX Nippon Metals & Mining, Pan Pacific Copper Co., Ltd., and other related companies, based on basic risk management policies and action plans. Appropriate countermeasures are subsequently developed and implemented to address those risks identified. In fiscal 2009, the subcommittee identified the new-type influenza as a critical issue to the Group and as a result developed a manual on how to respond to it. Additionally, the subcommittee reviewed plans and performance to manage substantial risks identified by divisions of the Group. Also, each division undertakes self-assessments of its own progress in relation to risk management and identifies relevant risks once a year. The Group is continuously improving its risk management system by effectively implementing the PDCA cycle.

### Information Security

Based on the evaluation of the risks of each division throughout the Group, information security was recognized as one of the substantial risks across the Group. We are working to bolster our management system for information security.

As one facet of these efforts, the Information Security Rules and the Information Security Standards have been established in the Company and its principal subsidiaries, to sophisticate our management systems and standards. Further, we are systematically strengthening our IT-related security, management and use of personal computers, intra-company networks, and use of USB memory devices.

Carrying out an education program regarding the promotion of information security measures was planned for fiscal 2009. However, it has been put off to fiscal 2010, due to the management integration of the Nippon Mining Holdings Group and Nippon Oil Corporation.

### Protection of Personal Information

The JX Nippon Mining & Metals Group strives to properly manage personal information by setting forth the Personal Information Protection Rules based on the Personal Information Protection Policy stipulated below.

#### Information Security Protection Policy

1. Compliance with laws and the establishment and continual improvement of internal rules.
2. Proper collection, use, and provision of personal information.
3. Implementation of security measures.
4. Respect for the rights of individuals.
5. Personal information training for executive officers and employees.

### Measures Related to New-type Influenza

The Group has prepared for the possibility of a major epidemic of new-type influenza. In particular, we have developed an action plan at each overseas operating site to prepare for such an epidemic in those overseas countries where we operate.

In response to the outbreak of the H1N1 swine flu in April 2009, we established an emergency response center, implemented thorough infection control measures, established guidelines regarding overseas business trips, prepared non-woven protective masks and other related items, and implemented other measures deemed necessary. Further, in response to the rise in the number of infected people within Japan from fall 2009, we developed response guidelines to be used in the event that an executive officer, an employee, or a family member is infected. Until these guidelines were deemed no longer necessary and subsequently revoked in March 2010, we proactively worked to prevent the spread of this epidemic.

### Risk Management of Large-scale Natural Disasters

The Group is working to manage risks regarding large-scale natural disasters, such as an earthquake, a storm, or a flood, by establishing countermeasures to be used at each operating site in the event of such a disaster.



Large-scale Disaster Response Manual