


## Mitsui Mining & Smelting (Hachinohe)

### Joint Due Diligence Standard Compliance Report

Parent company name	Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku)
Site name	Hachinohe Smelting Co., Ltd.
Location	76, Hamanayachi, Kwaragi, Hachinohe-shi, Aomori 039-1161, Japan
Reporting period	1 October 2023 – 30 September 2024
Date of Report	25 December 2024
Supply chain officer responsible for this report	Yoshihiro Mine, General Manager, Technology Engineering Supervising Dept. 
Metal	Zinc

The Joint Due Diligence Standard for Copper, Lead and Zinc (hereinafter “the Standard”) were formulated to realize responsible global supply chain management in the copper, lead and zinc industries. The Standard aims to facilitate the implementation of efficient due diligence by the producers and traders, by taking into account supply chain risk characteristics related to copper, lead and zinc.

This report is a summary of the annual activity status of the Joint Due Diligence Standard by MITSUI MINING & SMELTING CO., LTD. (hereinafter “Mitsui Kinzoku”) and Hachinohe Smelting Co., Ltd. (hereinafter “Hachinohe”).

#### Step 1: Management System

##### Supply chain policy

We employ the Responsible Minerals Sourcing Policy (enacted on September 25, 2023) related to copper, lead and zinc bullion supply chain due diligence. This policy complies with the model in Annex II of the OECD Due Diligence Guidance.

Mitsui Kinzoku aims to support these initiatives and aims for ongoing improvements. This policy is reviewed annually and updated as needed.

In September 2023, after receiving approval by the compliance officer, this policy was revised

to reflect the requirements in the Joint Due Diligence Standard.

The revised Responsible Minerals Sourcing Policy is available on our website.

[https://www.mitsui-kinzoku.com/en/seihin/metals/s\\_meta\\_supply.html](https://www.mitsui-kinzoku.com/en/seihin/metals/s_meta_supply.html)

### Internal Management

Mitsui Kinzoku is building an internal control system, and is clearly defining governance, roles and responsibilities, communications, internal audits and senior-level management reviews in line with this policy.

The compliance officer is in charge of the following roles and responsibilities:

1. Formulating and exercising due diligence and the organizational management strategy
2. Roles and responsibilities include approving new, high-risk suppliers and making final decisions on suspending trading. The compliance officer is a member of the Board of Directors of Mitsui Kinzoku and possesses a deep understanding of the due diligence program.

The supply chain officer is in charge of the following roles and responsibilities regarding the division of roles for the management of the due diligence team.

1. Formulate a responsible minerals sourcing policy
2. Approve a manual and related regulations
3. Make decisions to start, continue or suspend business transactions with a specific supplier should high risks be identified
4. Report to the compliance officer to garner approval to start, continue or suspend business relationships

The system manager who is under the direct supervision of the supply chain officer is assigned the role of managing the due diligence process. Staffed with experienced employees, the due diligence team implements due diligence and oversight in collaboration with the relevant departments involved in raw material acceptance, manufacturing and shipping operations of the Lead & Zinc Division and group companies. During this reporting period, 15 employees underwent training related to supply chain due diligence.

### Traceability system

New suppliers are sent the Responsible Minerals Sourcing Policy (hereinafter “Supply Chain Policy”) and KYC questionnaire. We receive their responses and are implementing an assessment/evaluation prior to the start of purchasing raw materials.

The KYC questionnaire covers corporate information, business details, the existence of

beneficiaries, beneficiary information, board members, financial information, laws and regulations, tax payments, source of capital, transport method and route, human rights and environment initiatives, and AML-CFT measures.

An assessment/evaluation is being implemented based on various information taken from the KYC questionnaire, raw material invoices, packing lists, and B/Ls, and information including supply partners, the country of origin for raw materials, the weight of raw materials, and transport methods.

The above materials are consolidated at the head office of Mitsui Kinzoku. After the supplier and the place of origin assessment/evaluation is conducted, a questionnaire and related materials are sent post assessment/evaluation to relate companies. Hachinohe conducts a confirmation of the raw materials and the content of materials at the time the raw materials arrive.

During the reporting period, an assessment/evaluation was conducted for high-risk suppliers and high-risk raw materials but none were detected.

#### **Building due diligence capabilities**

Mitsui Kinzoku sends the supply chain policy and KYC questionnaire to new suppliers prior to commencing business relationships, to existing suppliers that have experienced major changes or when the policy has been revised by Mitsui Kinzoku. Through this, we receive supplier commitment to our supply chain policy.

Minera Santa Luisa S.A., a subsidiary of Mitsui Kinzoku and located in a country implementing EITI, declares its compliance with his EITI standards on our website.

#### **Confidential grievance mechanism**

Based on the existing internal reporting system, a mechanism that allows employees and external stakeholders to anonymously submit concerns related to supply chain risks was developed and is being sustained.

In addition, a hotline, the “compliance consulting and reporting desk” was established. This is for external stakeholders and accessible from the website. There were zero complaints reported during the target period.

The “compliance consulting and reporting desk” can be found on our website.

<https://www.mitsui-kinzoku.com/en/contact/form/?frmid=57>

## **Step 2: Red Flags Identification and Risk Assessment**

#### **Identify risks**

Prior to commencing business relationships with new suppliers, the Supply Chain Policy and

KYC questionnaire are sent to new suppliers. Through this, we are collecting supplier information. Purchasing contracts are signed with new suppliers only in cases where risks are deemed low based on raw material information, collected KYC questionnaires and third-party information. Third-party information is an effective tool for obtaining information related to suppliers and their shareholders. Based on information acquired from the SDN list, the Ministry of Finance of Japan, and the EU's consolidated financial sanctions list, we conduct a survey of whether suppliers and Ultimate Beneficial Owners (UBOs) are added to major sanction lists.

Mitsui Kinzoku acquired fully completed KYC questionnaires from suppliers, conducted desktop research using the D&B Onboard, and thereby identified and evaluated supply chain risks. This process is an official requirement prior to entering any type of business relationship with a supplier.

Supplier assessment/evaluation is conducted based on the company name, address, upstream company information, major shareholders, board members, financial information, AML-CFT policies and AML-CFT officer information.

Information will also be collected related to a supplier's corporate social responsibility policy, material violations of applicable sustainability laws, administrative actions based on legal requirements, and possession of the ISO14001 certification. We are also using information provided by a compliance information company to assess/evaluate suppliers.

The system manager will instruct the raw material purchasing officer to make a reconfirmation, in the event that recognition related to the supply chain and information are inconsistent based on a verification of the results of the supply chain due diligence as reported by the raw material purchasing officer. In the event raw material that violates the policy are purchased or are suspected to originate from CAHRAs, the system manager will report it to the supply chain officer and instruct the raw material manager to halt the processing of and store the raw material, and have the raw material purchasing officer to conduct a local survey.

Given a decision will be requested on whether to proceed with business transactions based on the results of enhanced due diligence (including local survey results), it is the responsibility of the system manager to report to the supply chain officer. The supply chain officer will decide on whether to continue with business transactions and will need to report to the compliance officer and obtain approval. The compliance officer will share information related to potential negative impact that arises from transactions with suppliers with members of the Board of Directors.

The Company will assess/evaluate whether related parties, including the system manager, are appropriately performing duties in accordance with manuals and related regulations, and

will take corrective measures in the event there are deviations. To secure full-fledged compliance, at the very least, we conduct an internal audit once a year. The person in charge of the internal audit will convey matters of deviation and survey results in writing to the target of the audit, and report the internal audit results to the supply chain officer.

The target of the audit will promptly implement measures to correct the deviations discovered during the internal audit, and report on the details of these corrective measures to the system manager. Based primarily on the results of the internal audit, the system manager will conduct an annual report to the supply chain officer regarding the operational results for supply chain due diligence. The supply chain officer will provide clear-cut instructions in writing to the system manager.

Our supply chain due diligence (DD) manual and supply chain DD implementation regulations apply to all raw materials that are purchased, and stipulates that supply chain due diligence should be implemented prior to the start of business transactions.

#### **Risk Classification**

In the supply chain DD implementation regulations, we define, as follows, high risk based on location, high risk based on supplier and high risk based on raw materials.

Raw materials are high risk should the following apply:

- Case where it is alleged the raw materials originate from, are transported through, or transported from a Conflict-Affected and High-Risk Area (CAHRAs), where human rights infringements occur.
- Case where it is known that the raw materials come from or pass through CAHRAs or alleged that the raw material originate from a rationally suspected country.
- Case where it is alleged there are limited known reserves in said country.

A supplier is deemed high risk in the following cases:

- Case where a supplier, UBOs or other stakeholders related to supply meets one of the high-risk criteria based on location.
- Case where a UBOs is a politically exposed person.
- Case where high-risk business activities are being carried out, including weapons, gambling, the casino industry, antiques and fine arts, religion and religious leaders.
- Case where it is known that gold was supplied from a high-risk country in the past 12 months.
- Case where supplied documents have substantial discrepancies or inconsistencies, or in which the other party refuses to provide requested documents.

CAHRAs is designated as follows.

During the target period, we revised the list for Conflict-Affected and High-Risk Areas (CAHRAs) in October 2023 and April 2024.

When identifying a risk, we used information from the US Dodd-Frank Wall Street Reform and Consumer Protection Act, the EU CAHRA list, EITI, FATF, OFAC, the US Department of Labor, NGOs, Heidelberg Conflict Barometer, Fragile States Index, and Worldwide Governance Indicators.

In addition, we are using World Mineral Production data from time CAHRAs is set, to prevent the misrepresentation of mining countries.

Relying on the aforementioned information sources, we evaluate various countries based on several standards to assess whether a specific country is a CAHRAs based on a comprehensive score. As of the end of September 2024, there are 35 countries that are specified as CAHRAs.

Should a Red Flag be identified in the supply chain, we require the implementation of enhanced due diligence in tandem with a site visit.

We have clearly conveyed to internal personnel our policy not to enter a new contract or extend our existing contract with a party located in a country subject to international sanctions. Given a high-risk supplier was not detected during the reporting year, enhanced due diligence was not carried out.

#### **EDD measures**

Should it be determined that the content of the collected KYC questionnaires deviates from the policy, a raw material purchasing manager with a good understanding of the supplier, a system manager that is well-versed in the management system and the enhance due diligence (EDD) implementation method, or an independent third-party consultant must implement a site visit within three months from the time the deviation is discovered.

When implementing enhanced due diligence (EDD), the following procedures will be carried out:

- The goal is to corroborate the documented KYC information.
- The EDD will focus on surveying threatening financing risks and the results of a specific supply chain due diligence.
- Should it be recognized that there is a possibility of a policy violation, EDD must be carried out three months prior to commencing a business transaction.
- The site visit shall be implemented by an independent raw material purchasing officer with no conflict of interest with the supplier, a system manager or a third-party consultant.

All related parties that will implement the site visit must consent to reporting the results of the visit both truthfully and accurately. If applicable, an EDD will be implemented after a discussion between internal and external related parties (Example: Regional and central regulatory authorities, upstream companies, international or civic community organizations, or third parties that have an influence over related parties).

- When preparing a site visit report, a site visit report template included in the refiners toolkit must be used.

- Depending on the number of and seriousness of identified issues, a follow-up must be conducted.

We collect data related to the weight and zinc grade of zinc concentrate for each delivery of raw material received. The weight and zinc content of the zinc concentrate are compared with the official data to confirm that it is lower than the known reserves in the country where it was mined.

### **Step 3: Risk Management**

We are formulating a risk management strategy for specified risks.

Contracts with suppliers shall be terminated should said suppliers conduct serious human rights infringements or support non-state armed groups.

Aside from serious human rights infringements or supporting non-state armed groups, should risks in Appendix II be recognized, business transactions will temporarily be suspended, and the continuation of transaction will be subject to a continued survey or the implementation of improvement plans.

The content of KYC questionnaires sent in by suppliers will be confirmed by the raw material purchasing officer. Following this, the system manager will use third-party information related to the place of origin and supplier risks to re-assess/re-evaluate the content of the KYC questionnaire.

Should the system manager determine the supply chain is high risk, the raw material purchasing manager and system manager will conduct a visit of the site.

The system manager will report the results of the site visit to the supply chain officer. After receiving the report, the supply chain officer will decide whether a business relationship should be commenced or continued and determine what actions and measures should be taken.

The due diligence team will report on decision-making to the compliance officer, make a final decision, and share this information with the Board of Directors.

The system manager will formulate an improvement plan for suppliers who were assessed/evaluated to be high risk, request that the plan be implemented, and oversee the

progress of the improvement plan. The system manager will assess/evaluate the results of the improvement plan implemented by the supplier and report the assessment/evaluation results to the supply chain officer.

During the target period, the Mitsui Kinzoku Group did not specify the following risks:

- (i) Mitigate risk while continuing to carry out business transactions
- (ii) Mitigate risk while suspending business transactions
- (iii) Terminate business transactions

In accordance with the improvement report prepared by a supplier, the supply chain officer must determine whether to suspend transactions, continue transactions or resume transactions. Following this, the supply chain officer will report the results of this decision to the compliance officer, make a final decision and share this information with the Board of Directors.

See the integrated report for an overview of the businesses operated by the Mitsui Kinzoku Group, its strategies, and corporate value creation plan.

[https://www.mitsui-kinzoku.com/en/toushi/lib/integrated\\_report/](https://www.mitsui-kinzoku.com/en/toushi/lib/integrated_report/)