

# Supply chain management

Mitsui Kinzoku Group believes that it is imperative to establish resilient supply chains in order to fulfill its responsibility for supplying products while increasing the Group's sustainability. Based on our Purpose and seeking to contribute to the sustainability of society, we are promoting sustainability initiatives in cooperation with our business partners, endeavoring to reduce adverse impacts of supply chains on society and the environment, and creating social and environmental value.

## Responsibility for our supply chain

Mitsui Kinzoku Group fulfills our responsibility in the supply chain by implementing initiatives for sustainability according to the globally recognized codes and guidance such as the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights, as well as requests from our stakeholders.

We have formulated the Mitsui Kinzoku Group procurement policy in which we declare to fulfill legal compliance and our social responsibilities in human rights and labor, health & safety, ethics, and on the environment in our supply chain. The procurement policy consists of the basic procurement policy as our commitment and the procurement guidelines that gives specific instructions for executing the policy. The procurement guidelines have been created with reference to the RBA\*1 Code of Conduct.

We have established a group-wide supply chain management system to manage risks and to implement our procurement policy in our supply chain.

The senior executive officer in charge of our procurement is appointed as the person with the highest responsibility for our supply chain. The Supply Chain Committee of the Group has been organized, which consists of the representatives of each department.

We report to the Board of Directors once a year on the activities including responsible minerals sourcing and the status of risk management in principle. We also timely share the latest trends in supply chain management with the Board of Directors/the executive officers through training programs for them.

Also, we have a grievance mechanism in place to receive reports from our employees, suppliers and other internal and external stakeholders (P.64 Compliance "Internal and external whistle-blowing system"). In FY2023, we received no reports on risks associated with our supply chain.

## Supply chain due diligence

Mitsui Kinzoku Group conducts risk assessments to identify risks in its supply chain. We conduct due diligence on ourselves as well as our suppliers to mitigate risks.

Within the Group, we hold SCM trainings for all employees including procurement and sales personnel to ensure that they put our procurement policy into practice. We also evaluated implementation of the procurement policy in the framework of the internal human rights due diligence.

As for our supply chain, we request our tier 1 suppliers to implement the procurement policy and to manage their own suppliers. In addition, for the critical suppliers\*2 that have been evaluated as having a particularly large impact on the Group's business, we request that they submit their signed agreement forms to the policy and complete SAQ (Self-Assessment Questionnaire) consisting of 50 questions in five sections (Labor, Health and Safety, Environment, Ethics, and General) in accordance with procurement guidelines in order to assess the implementation status of the policy.

For promoting business integrity as described in the procurement guidelines ("Ethics"), we are striving to conclude an anti-bribery/corruption agreements with suppliers (P.65 Compliance "Initiatives to prevent anti-competitive practices and bribery/corruption"). Also, to address issues with energy consumption and GHG emissions as set forth in "The Environment," we are working with suppliers to reduce Scope 3 emissions (P.75 "Scope 3 emissions calculations").

\* 1 RBA: The Responsible Business Alliance

\* 2 We have identified suppliers that meet any of the following criteria as critical suppliers. They include non-production material suppliers of staffing, contracting/outourcing, and service suppliers such as transportation, warehousing, and equipment companies.

- (1) Top 80% suppliers of amount procured
- (2) Suppliers supplying materials/products that have no alternatives or strategically important materials/products
- (3) Suppliers operating in regions in which CSR risk is considered high
- (4) Supplier group identified by other risk assessments

## (1) Initiatives in the second cycle (FY2021-2024)

### Commitment (FY2024)

Effectively implement supplier due diligence and reduce critical risks in the supply chain.

### Targets (KPIs)

Achieve the 100% annual SAQ implementation rate for the target suppliers.

Achieve the 100% engagement rate for corrective actions with C-ranked suppliers.

## (2) Performance in FY2023

For the purpose of promoting supply chain management initiatives, the Group has defined as the second cycle the four years from FY2021 to FY2024, consisting of the first three years and the final year covered by the 22 Mid-term Plan.

In FY2023, we conducted the SAQ survey for suppliers targeted in the second cycle who had not yet responded to SAQ. We received responses from 73 suppliers, and the response rate was 84.9% as a performance against our KPI. According to the SAQ result, 8% of all suppliers were C-ranked (at high risk). By section of the five, the scores on "Ethics" and "General" tended to be lower than those on other sections.

We sequentially implement engagement with C-ranked suppliers to identify detailed risks and issues, talking about ways to improve them. We provide C-ranked suppliers with a detailed explanation about their issues that were identified through SAQ, and ask them to make plans to improve the identified risks. We regularly follow up on their progress with these improvements, and work together with them to take corrective actions. In FY2023, we implemented engagement with four C-ranked suppliers.

In addition, following the first cycle, we also requested to implement the procurement policy, collected signed agreement forms from critical suppliers, and conducted SAQ for new suppliers.



### Result of supplier SAQ for the critical suppliers in FY2023

Subject to SAQ in FY2023: Suppliers that had been targeted in the second cycle but had not yet responded to SAQ.

## Performance in FY2023 (single year)

Measures	Number of supplier responses*1
Request to implement the procurement policy	795
Receipt signed agreement form	212
Implement SAQ	73
Supplier engagement	4
Responsible minerals sourcing survey*2	142

Initiative in the Group	Participants
In-house training*3	442

\* 1 All suppliers including existing suppliers that have not yet implemented the SCM activities in the first cycle and new suppliers.

\* 2 Total number of responses to surveys using CMRT (for tin, tantalum, tungsten and gold), EMRT (for cobalt and mica), and other formats.

\* 3 Total number of employees receiving in-house training, including training of each division on responsible minerals sourcing.



Initiative for responsible mineral sourcing  
Internal audit in Metals Sector  
(Left: Kamioka Mining & Smelting, Right: Mitsui Kushikino Mining)



## Responsible minerals sourcing

As a corporate group in the minerals supply chain, Mitsui Kinzoku Group promotes responsible minerals sourcing. Along with the heightened global interest in responsible minerals sourcing, relevant risks are expanding. The scope of target risks is expanding to environment and human rights issue and target areas are widening to CAHRAs\*<sup>1</sup>. In addition to 3TG (tin, tantalum, tungsten, and gold), other minerals such as, silver, copper, zinc lead and cobalt are included as target minerals. Mitsui Kinzoku Group has developed its management system in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We are working in close partnership with international initiatives such as the RMI\*<sup>2</sup>, LBMA\*<sup>3</sup>, and the LME\*<sup>4</sup>.

We have formulated the Responsible Mineral Sourcing Policy as a comprehensive policy. Also, we timely review the at-risk regions and target minerals based on trends in the legal and regulatory in each country, revising the policy. Based on the policy, each smelting business obtains third-party certification as a responsible smelter and renews it every year. Business division that launches smelting business of target minerals works to obtain third-party certification as a responsible smelter.

In the smelting business of gold or silver, we defined the "Gold and Silver Supply Chain Policy" and are performing initiatives in accordance with the LBMA's guidance. We conduct risk assessment every year, evaluating the suppliers of mineral raw materials as well as checking the areas of origin and transportation routes of mineral raw materials. For suppliers who do not respond to our repeated inquiries, we implement engagement, including reconsidering our business relationships. Based on these evaluation results, an independent auditing company assures that mineral raw materials of our processed gold and silver have been sourced from areas not affected by any conflicts or any other risks. We submit the audit report to LBMA. The assurance reports issued by the independent auditing company and the report to LBMA are available on our corporate website.

Regarding copper, zinc and lead, we conduct risk assessments, evaluating the suppliers of mineral raw materials as well as checking their places of origin and transportation routes, in line with LME consultation on responsible sourcing. In order to certify that the mineral raw materials used in our base metals registered at the LME are obtained from suppliers and areas of origin that are not affected by any conflicts and other risks, we underwent an audit by an independent auditing company and obtained certification. In addition, we disclose the Compliance Report, which summarizes our activities for the current fiscal year, and the assurance report issued by the independent auditing company on our corporate website.

With regards to the tantalum smelting business, based on the RMAP\*<sup>5</sup> by the RMI, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformant status. We are also a member of a program for achieving due diligence in the supply chain of tantalum raw materials.

In businesses other than smelting, we conduct supply chain due diligence in line with industry standards, based on customer requests. In addition, we participate in the Responsible Minerals Trade Working Group by the Japan Electronics and Information Technology Industries Association (JEITA), and gather the latest information on responsible minerals procurement. We also exchange views on due diligence in the mineral supply chain. Mitsui Kinzoku Group will promote cooperation and engagement with downstream companies in the supply chain and international initiatives such as the RMI through JEITA.

- \* 1 CAHRAs: Conflict Affected and High-Risk Areas
- \* 2 RMI: The Responsible Minerals Initiative
- \* 3 LBMA: The London Bullion Market Association
- \* 4 LME: The London Metal Exchange
- \* 5 RMAP: The Responsible Minerals Assurance Process

# Mining business

We recognize that the mining business has a particularly large impact on the surrounding environment and the local communities. Based on this recognition, we identify environmental and social issues related to our mining business and implement focused measures.

## The Sustainability Action Plan for Mining Business and the mining business management

In FY2020, we formulated the Sustainability Action Plan for Mining Business. Based on our materiality, we identified risks related to mining pointed out in the basic principles of ICMM and by SASB for each mining site and consolidated those risks into priority initiatives. In the mining business management, we conduct progress control annually in order to achieve the KPIs stipulated in the action plan.

In addition to this progress control, we conduct annual surveys on human rights and environment using a self-assessment check sheet for sites engaged in mining activities at the operating mines for which we hold an investment ratio of more than 50% to manage related risks.

## Relationships with the local communities around the mines

Compania Minera Santa Luisa that operates the Huanzala Mine and the Pallca Mine places importance on the engagement with the local communities around the mines, and is continuing to address the needs of the communities, such as by developing infrastructure, providing educational aid, and offering support for agriculture and livestock.

In FY2023, following the previous year, the company donated an agricultural tractor to the local government to support farmland reclamation in local communities.

## Grievance mechanism

In Peru, in response to stakeholder requests, we hold meetings with the local government and the community organizations on an as-needed basis to resolve issues. In the event of a conflict between the company and community that could affect the operation of the mines, a discussion with local residents is held with the attendance of a third party, such as the Ministry of Energy and Mines or the Social Disputes Officer in the President's Office.

We received a complaint from local residents about trucks carrying mined ores in FY2022. In FY2023, to resolve the situation as quickly as possible, we held a total of 11 discussions with the relevant party to share information and accurately identify the concerns of local residents. The investigation has been ongoing since FY2022, and if any impacts caused by our operations are found, we will implement the necessary corrective measures.

Item	Targets (KPIs)	Plans for FY2024
Human rights (Peru)	Establishment of a security guard system in accordance with the Human Rights Policy	- Establish a security management system based on business risk assessments - Conduct human rights training for security personnel
Community engagement (Peru)	Identification of impact on local communities	Work with hired consultants to conduct impact assessments and reflect the findings in engagement
Water management (Peru)	(1) Implementation of measures to prevent surface water from permeating (2) Development of a plan to improve water recycling rate	(1) - Block surface water inflow points - Construct surface water channels - Create a clean/contaminated mine water separation plan (2) - Install water usage meters and start measuring - Establish water circulation lines for recycling and measure their effectiveness
Tailings dam management (Japan and Peru)	(1) Preparation and implementation of a plan to reduce waste based on an analysis of types of waste generated (2) Reinforcement and operation of a stability monitoring system (3) Completion of accident simulations	(1) Evaluate reduction progress and provide feedback to the plan (Peru) (2) Install monitoring equipment and start measurement (Peru) (3) - Perform accident simulations (Japan and Peru) - Formulate emergency response plans (Peru)
GHG emissions /Energy management (Japan and Peru)	(1) Afforestation of the total area of 2,000 m <sup>2</sup> of the Akeshi Mine by 2025 (2) Improvement of soil at the former open-pit mining site of the Kamioka Mine for afforestation (3) Completion of investigations for construction of a renewable energy power plant	(1) Consider additional afforestation areas aiming to achieve the FY2025 target (Japan) (2) Add soil and plant trees on a continuous basis (Japan) (3) Begin the study on expanding existing hydroelectric plants and constructing new ones (Peru)

**Management of water**

The Huanzala Mine and the Pallca Mine manage the drainage of water in accordance with the EIA (Estudio Impacto Ambiental = Environmental impact study) and in compliance with the relevant legislation. For the Huanzala Mine, where acid water is generated in the mine due to an abundance of iron sulfides in the ore, we monitor the generation of the water and neutralize it through comprehensive treatment while also carrying out measures for the water source to address the risk posed by acid water to the local environment and biodiversity. Additionally, the flotation plant at the Huanzala Mine is promoting the recycling of water within the process and the reuse of water discharged into the river from the tailings dam. The Huanzala Mine has obtained ISO 14001 certification.



Checking the quality of water discharged into the river from the tailings dam (Huanzala Mine)

**Management of the tailings dam**

If an accident were to occur at a tailings dam, where tailings are managed and stored, it could have an enormous impact on the surrounding environment and communities. We regard the leakage incidents of tailings dams as one of the major risks in the mining business and manage tailings dams in accordance with applicable technical guidelines and manuals.



The downstream raising method is used, which is considered to have a low risk of collapse. In-house engineers regularly patrol and monitor the seepage level in the levees, and an external organization conducts stability assessments. (Chuspi, the tailings dam of the Huanzala Mine)

**Closure plan**

We have submitted closure plans for mines subject to applicable laws and obtained government approval. Based on the closure plans, we guarantee or accumulate expenses for closure. At the Huanzala Mine and Pallca Mine, in accordance with the closure plans, we are working on the removal of waste rock piled up on the surface during past mining operations. We are also developing drainage ditches and planting grass in the cleared area in order to regenerate vegetation. In addition, we have worked to restore the environment of the lake, which was contaminated by mine drainage in the past, and seeking to turn it into a tourist resource that can revitalize the local community, in order to minimize the post-closure environmental and social risk.

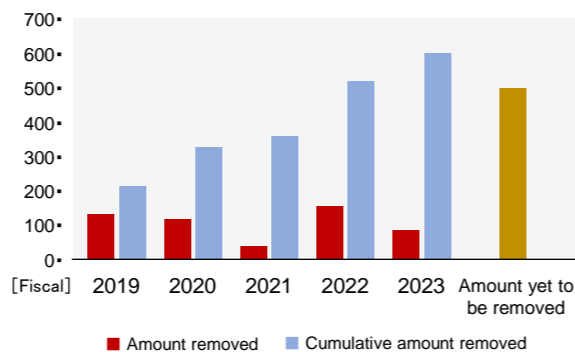
Mine	Closure plan	Amount of guaranteed/accumulated expenses (FY2023)
Huanzala Mine (Peru)	Planned	11.9 million US dollars
Pallca Mine (Peru)	Planned	3.0 million US dollars
Akeshi Mine (Kagoshima, Japan)	Not planned	261.7 million yen *

\* The amount of accumulated funds for the Akeshi Mine indicated in the table is that for a tailings dam located at a refinery related to the mine.



Advancing soil covering and grass planting after waste rock removal (Pallca Mine)

**Amount of waste rock removed at the Huanzala Mine and the Pallca Mine (thousand m<sup>3</sup>)**



We disclose detailed information on our corporate website about the list of tailings dams managed by the Group and the implementation of stability assessments.

[https://www.mitsui-kinzoku.com/en/csr/mining\\_business/](https://www.mitsui-kinzoku.com/en/csr/mining_business/)



The tree planting event for employees held in October 2023 (Huanzala Mine)

**Initiatives to conserve biodiversity**

The areas surrounding the Huanzala Mine and the Pallca Mine, which are situated at an elevation of over 3,000 meters, are home to flora and fauna that are unique to that particular environment. In order to minimize the impact of mine development and operations on these flora and fauna, we conduct appropriate treatment of acid water, environmental baseline surveys and bi-annual habitat surveys. In addition, training on biodiversity conservation is provided to employees upon joining the company and once a year.

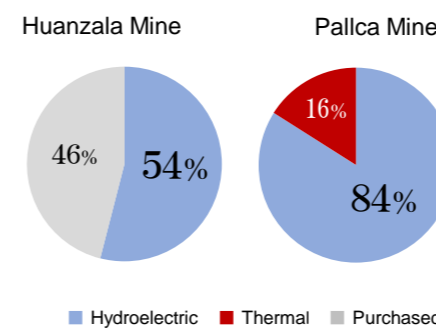


Signs erected to protect the rare plants that grow naturally on the premises (Huanzala Mine)

**Use of renewable energy**

The Huanzala Mine and the Pallca Mine each own one hydroelectric power plant and use the electricity in their operations.

**Breakdown of annual electricity use by type (FY2023)**



We utilize electricity generated by hydropower (Huanzala Mine)

**Management of suspended and closed mines**

Even for mines that have been suspended or closed, wastewater processing and disposal management continue to be performed in compliance with the Mine Safety Act and related environmental laws. We are managing the maintenance of the tailings dams and the former mine entrance, conducting neutralization treatment of acid mine drainage that includes heavy metals, and performing the monitoring of water quality. We also visit and check the area, as well as perform environmental audits, on a regular basis in order to make sure that the mines are being properly managed. In FY2023, we carried out repair work on aging facilities and road slope repair work at our sites in Japan.

**Mines that are in operation and suspended in Japan**

● Mines in operation (including those partially operating)  
● Suspended mines

