

Annual Report on Supply Chain Due Diligence for Zinc and Lead Minerals

November 30, 2023

Toho Zinc Co., Ltd.

1. General Information

Company name	Toho Zinc Co., Ltd.
Company address	Tekko Building 6F, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-8207

Target office	Address	Business details	Relationship with the Company
Annaka Refinery	1443 Nakajuku, Annaka-shi, Gunma 379-0197	Zinc smelting and refining	-
Toho Chigirishima Refinery Co., Ltd.	5562-1 Higashino, Osaki Kamijima-cho, Toyota-gun, Hiroshima 725-0231	Lead smelting and refining	Wholly-owned subsidiary

Evaluation period	From October 1, 2022 to September 30, 2023
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2. Responsible Minerals Procurement Policy

Toho Zinc Group has established the Responsible Minerals Procurement Policy based on its management philosophy and the Toho Zinc Group Code of Conduct. This Policy conforms to Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas Third Edition (hereinafter referred to as the “OECD Guidance”). Our group will identify the risks specified in Annex II of the OECD Guidance ((i) direct or indirect support to non-state armed groups, (ii) violation of human rights associated with the extraction, transport, or trading of minerals, (iii) illegal acts by public or private security forces, (iv) bribery and fraudulent misrepresentation of the origin of minerals, (v) money laundering, and (vi) non-payment of taxes, fees, and royalties due to governments) and will not procure any minerals with those risks or use such minerals as raw materials.

This Policy has been reviewed and approved by the senior manager in charge of the management of supply chain due diligence for zinc and lead minerals in our group.

The details are described in the Toho Zinc Responsible Procurement Policy below:

<https://www.toho-zinc.co.jp/sustainability/principle/rmpp.html>

3. Supply Chain Due Diligence Management System

3.1. Management System

The Metal & Recycling Business Division and the Mineral Resources Business Division supervise the procurement and management of zinc and lead minerals in our group.

The divisions supervising the procurement and management of zinc and lead minerals appoint the Compliance Officer and supply zinc and lead minerals to smelters and refineries under the Responsible Minerals Procurement management system.

In addition, we think that the responsible mineral procurement is one of our important management issues, and we have established the Responsible Supply Chain (RSC) Committee for the purpose of identifying and assessing the risks arising in the supply chain of raw materials and other materials procured by our group and considering the actions to take.

3.2. Division of Responsibilities

3.2.1. Senior Manager

The General Manager of the Mineral Resources Business Division shall serve as the senior manager and have the following responsibilities and authorities:

- (1) Preparing the supply chain due diligence policy;
- (2) Establishing and revising the Regulations and Detailed Rules on Supply Chain Due Diligence of Zinc and Lead (hereinafter referred to as the “Regulations and Detailed Rules on supply chain due diligence”);
- (3) Supervising the Compliance Officer and providing the necessary means to perform duties;
- (4) Approving cash transactions for payments and receipt of payments for zinc and lead minerals;
- (5) Specifying and reviewing Conflict-Affected and High-Risk Areas (CAHRA);
- (6) Reviewing decisions on whether or not to continue transactions in a supply chain evaluated as having new risks of adverse impacts and actual adverse impacts;
- (7) Implementing management reviews based on reports from the Compliance Officer; and
- (8) Approving the Annual Report on Supply Chain Due Diligence (hereinafter referred to as “Annual Report”) prepared in accordance with the responsible procurement requirements specified by the London Metal Exchange (LME) (hereinafter referred to as the “LME Policy”) and the Joint Due

Diligent Standard (hereinafter referred to as “Copper Mark JDDS”) provided by Copper Mark.

3.2.2. Compliance Officer

The Compliance Officer shall have mainly the following responsibilities and authorities:

- (1) Establishing and maintaining the supply chain due diligence management system;
- (2) Giving instructions to the Raw Material Purchasing Officer in consideration of the results of supply chain due diligence;
- (3) Planning and implementing of education and training on supply chain due diligence;
- (4) Collecting information in or outside of our group during supply chain due diligence;
- (5) Confirming and evaluating whether a supply chain due diligence is appropriately conducted;
- (6) Implementing appropriate measures for a supply chain of zinc and lead minerals that is evaluated as having the risk of adverse impacts or actual adverse impacts;
- (7) Reporting to the senior manager about supply chain due diligence (including the apparent or potential risks identified in a risk assessment and the reports made to the senior manager for the purpose of reporting to the administrator); and
- (8) Preparing the Annual Report.

3.2.3. Raw Material Purchasing Officer

Each Raw Material Purchasing Officer shall have mainly the following responsibilities and authorities:

- (1) Purchasing zinc and lead raw materials in accordance with the Regulations and Detailed Rules on supply chain due diligence ; and
- (2) Implementing supply chain due diligence and reporting the due diligence results to the Compliance Officer.

3.2.4. Raw Material Management Officer

Each Raw Material Management Officer shall have mainly the following responsibilities and authorities:

- (1) Confirming documents and actual goods concerning the received zinc and lead raw materials; and
- (2) Maintaining records concerning the received zinc and lead raw materials.

3.2.5. RSC Committee

The Committee consists of the General Manager of the Mineral Resources Business Division who serves as the Chairperson, directors, executive officers, and the Mineral Resources Business Division

serving as the administration office. We implement the following for the purpose of identifying and assessing the risks arising in the supply chain of raw materials and other materials procured by us and considering the actions to take:

- (1) Submitting reports to the sustainability promotion meeting for the group wide responsible procurement of minerals or other materials;
- (2) Confirming the personnel, education, code of conduct, operational procedures, equipment, check system, organization, and other matters related to the responsible procurement of minerals or other materials, as well as planning the basic policy;
- (3) Communicating and advertising the Responsible Minerals Procurement Policy to internal and external parties;
- (4) Confirming the social situation about the responsible procurement of minerals or other materials and the trend of revision of relevant laws or strengthening of control;
- (5) Promoting speedy information communication and exchange with relevant business divisions;
- (6) Establishing a professional committee for matters of concern, giving instructions for the implementation of measures, and considering and approving solutions, improvements, and other matters proposed by the professional committee; and
- (7) Other matters instructed by the Chairperson with regard to the responsible procurement of minerals and other materials.

3.3. Management System

3.3.1. Monitoring of Transactions

For the purpose of ensuring the traceability of accepted raw materials, our group securely manages the acceptance of raw materials by instructing the Raw Material Purchasing Officer to inspect the bill of landing and other shipping documents for each accepted lot. The final acceptance weight is fairly measured through a process involving a third party and is managed by the Raw Material Purchasing Officer.

In the monitoring of transactions, if raw materials are inconsistent with the information obtained from the supplier in advance, they shall be physically separated from other raw materials for management, and appropriate measures shall be taken in accordance with internal regulations.

3.3.2. Education and Training

The Compliance Officer prepares an education and training plan on supply chain due diligence for zinc and lead raw materials every year and implement such education and training in a planned manner in the relevant year.

Our group implements education and training on the following matters that are necessary for employees engaged in the procurement and management of zinc and lead raw materials:

- (1) Outline of the Responsible Minerals Procurement Policy and regulations on the responsible minerals procurement;
- (2) Outline and requirements of the LME Policy and the Copper Mark JDDS;
- (3) Policy of and procedures for our group's supply chain due diligence; and
- (4) Other matters that are considered as necessary.

3.3.3. Whistleblowing system

Our group informs all relevant employees of the policy on zinc and lead raw materials supply chains and the supply chain due diligence procedures. With respect to deviation from laws, the LME Policy, the Regulations on supply chain due diligence, and the like, our group has established and operates a system to appropriately respond to the information acquired from employees and the matters that concern interested parties outside the Company.

For external parties, we have a whistleblowing contact point for any interested parties in or outside the Company to make an anonymous report on matters of concern about the supply chain of zinc and lead raw materials. This system enables them to express concerns about the status of extraction, transport, trading, handling, processing, and export of minerals in CAHRA. We will respond properly to those reports in accordance with the Regulations on supply chain due diligence.

3.3.4. Relationship with Suppliers

Our group is promoting a measure to incorporate expectations for suppliers about the responsible procurement mineral into our agreements with them, whenever possible. Our group's Responsible Minerals Procurement Policy is regularly shared with relevant suppliers. We deepen our relationship with suppliers by regularly having meetings and exchanging information on the status of both parties in the course of supply chain due diligence.

Upon receiving an inquiry on supply chains from our customers, we actively disclose information and accept visits to our smelters and works, as needed.

3.3.5. Management Review

Our group annually performs reviews and assessments about the supply chain due diligence management framework and system, as well as the effectiveness and actual status of supply chain due diligence. Assessment is performed based on the requirements of the LME Policy and the Copper

Mark JDDS, and an independent third party regularly performs an assessment to confirm the conformity to the requirements.

The assessment results are reported to the management at least annually, and the management system is reviewed as needed.

4. Red Flag Review

We identify and respond to red flags in supply chains in accordance with the following procedures. The information and communications collected for red flag reviews are important to ensure the transparency of supply chains, strengthen the continuous relationship of trust with our suppliers, and help strengthen our supply chains.

4.1. Collecting Information and Identifying Risks

Our group performs supply chain due diligence through the KYC process with regard to all zinc and lead minerals purchased by our group. In the KYC process, we mainly collect the information listed below and confirm it in light of the resources to identify CAHRAs and other related domestic and international sanction lists as provided in the latter part of this section.

- Supplier's general information: Name, address, operation region, and financial status
- Supplier's corporate structure: Affiliated companies, actual owner, final beneficiary, etc.
- Business activities performed by the Supplier
- Raw materials used by the Supplier (mined/recycled)
- Environmental regulations: Status of compliance with safety, health, and environmental regulations; status of control of child labor; and existence of armed groups in surrounding areas
- Means of transport and route of the materials

Before establishing a continuous relationship with a new supplier of zinc and lead raw materials, we identify and assess the supplier's location in the supply chain and business risks. For suppliers with whom we have continuous transactions, we review the previous risk assessment once a year.

For assessment, we utilize the resources listed below in addition to the EU CAHRA list to identify Conflict-Affected and High-Risk Areas (CAHRAs) in accordance with the Responsible Minerals Procurement Policy:

Conflict	<ul style="list-style-type: none"> • FTFA High-Risk Jurisdictions subject to a Call for Action • Heidelberg Institute for International Conflict Research - Conflict barometer
Governance	<ul style="list-style-type: none"> • Export Trade Control Order (Cabinet Order No. 378 of 1949) Appended Table 3-2 • Countries and regions for which the Security Council of the United Nations adopted a resolution of sanctions • World Bank Worldwide Governance Indicators
Human Rights	<ul style="list-style-type: none"> • Cato Institute and Fraser Institute - Human Freedom Index

We confirm the country of origin and the country of transit and collect the weight information for each transaction of raw materials purchased, to confirm whether such information is consistent with the supply chain information collected in advance. We also confirm whether the relevant mineral is produced in a country where the known reserves of the mineral is limited and there is a doubt about the forecast of the resources and production level of the mineral.

Such information will be utilized for red flag reviews in our group’s supply chain due diligence.

If the supply chain assessment identifies a red flag that is suspected to have the risks specified in Annex II of the OECD Guidance, the Compliance Officer shall collect the information listed below that is necessary to make a reasonable decision on the existence of “risks of adverse impacts and actual adverse impacts” specified in Annex II of the OECD Guidance with regard to Location Red Flags or Supplier Red Flags and perform on-site visit as needed.

Location Red Flag	<ul style="list-style-type: none"> • Place of origin and transportation route in the place of origin • Place where the target raw materials are processed, integrated, and mixed before export • The social and economic environment of the place of origin and the place of transit of the target raw materials
Supplier Red Flag	<ul style="list-style-type: none"> • Protection of human rights and compliance with international frameworks for business transparency • Actual owner and organization structure • If the supplier is a mining company that operates in a country where the Extractive Industries Transparency Initiative (EITI) is implemented, status of compliance with the EITI

4.2. Risk Management Process

If the supply chain is found to have red flags as a result of a supply chain due diligence, the senior manager shall review whether or not it is permitted to have transactions. A decision is made depending on the type and seriousness of risks. If we decide to reduce risks while continuing transactions, we

will manage the risks based on a specific and reasonable improvement plan. If the risks are not reduced within a certain period of time, we will consider terminating transactions.

5. Result of the Red Flag Review Process during the Assessment Period

We did not find any zinc and lead minerals that fall under either a Supplier Red Flag or a Location Red Flag in our group's supply chain within the assessment period.

In addition, we did not find any serious defect in the due diligence management process.

Our group reported the risks assessment for the supply chain of zinc and lead minerals and the assessment of Conflict-Affected and High-Risk Areas to the top management in a meeting of the RSC Committee held in July 2023.