

2023 AKITA ZINC Public Due Diligence Report

DOWA METALS & MINING CO., LTD.

1. Company Information

DOWA METALS & MINING CO., LTD. (hereafter “DMM”) was established in 2006, and its subsidiary AKITA ZINC CO., LTD. (hereafter “AKITA ZINC”) was established in 1971.

The LMEs word Code for AKITA ZINC is AZCSHG.

AKITA ZINC produces zinc ingots that comply with LME standards.

2. Responsible Minerals Procurement Policy

DOWA HOLDINGS CO., LTD. (hereafter “DOWA HD”) has established the Responsible Minerals Procurement Policy, with the objective of avoiding the use of minerals that could directly or indirectly benefit or be a source of funds for armed groups in high-risk and conflict-affected areas, which could result in serious human rights violations. The Policy applies to both DMM and AKITA ZINC, and it is consistent with third edition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict and High-Risk Areas (OECD Guidance). Also, the Policy covers all risks identified in Annex II of the OECD Guidance ("Annex II Risks") and applies worldwide. If Annex II risks are identified, appropriate measures to reduce the risk shall be implemented, and the results of the DD shall be reported to senior management, who shall approve or disapprove the transaction. In addition to distributing the Policy to a wide range of relevant stakeholders (suppliers, customers, employees, etc.), it is available on the corporate website:

<https://www.dowa-csr.jp/en/about/procurement-policies>

3. Corporate Management System

(1) Management Structure

DMM has established internal procedures for supply chain due diligence (hereafter “supply chain DD”) which include the following items to ensure compliance with the Responsible Minerals Procurement Policy.

- A compliance officer is responsible for the establishment, implementation and maintenance of the management system related to supply chain DD.
- DMM has clearly defined roles and responsibilities as follows related to the implementation of supply chain DD, identification of red flags, and reporting on the results of risk assessment.

Role	Person in charge	Main responsibilities
Senior management	President	<ul style="list-style-type: none"> • Regularly reviewing the effectiveness and performance of the supply chain DD process • Determining whether to continue transactions with high-risk suppliers • Conducting a management review based on reports from Compliance Officer
Compliance officer	General Manager, Resource Development & Raw Materials Department	<ul style="list-style-type: none"> • Reporting the results of implementing supply chain DD to senior management • Implementing supply chain DD for high-risk suppliers • Planning and providing training on supply chain DD for employees
Zinc Material Purchasing Officer	Senior Manager, Resource Development & Raw Materials Department	<ul style="list-style-type: none"> • Purchasing zinc materials according to the internal manual and rules for responsible zinc sourcing • Reporting to compliance officer on supply chain DD results • Implementing supply chain DD
Due Diligence Officer	Assistant manager, Resource Development & Raw Materials Department	<ul style="list-style-type: none"> • Appointed by the person responsible for purchasing raw materials to implement and report on supply chain DD • Operating the management system for supply chain DD

- DMM provided training on supply chain DD and EITI in September 2023.

(2) Internal Management System

In June 2022, DMM established a management system for supply chain DD that complies with the Joint Due Diligence Standard provided by The Copper Mark. The following details have been set out under the management standard

- Roles and responsibilities (as described above)
- Establishment of Zinc Supply Chain DD Manual and Zinc Supply Chain DD Rules, to assess if its activities are consistent with the Policy
- Supply chain DD procedures to be implemented to identify adverse impact risks and actual adverse impacts in the zinc supply chain
- Procedures such as identifying and reviewing the frequency of CAHRAs list
- Education for employees on responsible mineral procurement for zinc and the frequency of implementation
- Frequency at which the effectiveness and performance of the supply chain DD process should be reviewed
- Establishment of a grievance mechanism to allow any employee or external stakeholder to

anonymously raise concerns regarding environment surrounding the mining, trading, handling, and export of zinc in CAHRAs

- Retention period of documents collected in the responsible procurement of minerals
- Implementation of periodic internal monitoring to verify that responsible procurement of minerals is carried out

In February 2023, DMM notified all the suppliers that supply AKITA ZINC with zinc concentrate of DOWA HD's Responsible Minerals Procurement Policy.

DMM has established a dedicated contact point (https://www.dowa-csr.jp/refer/inquiry_mineral_en/) for responsible minerals procurement on its website that can be accessed anonymously internally and externally.

(3) Record Keeping System

DMM stipulates that it should retain information necessary to implement all applicable steps of the due diligence process for at least ten years in the Zinc Supply Chain DD Manual.

4. Status of Support for Extractive Industries Transparency Initiative (EITI)

DMM supports the promotion of EITI through the following methods.

- Verification of EITI compliance status through KYC for suppliers operating in countries that implement EITI.
- Verification of money laundering policy and audit report on financial statements for suppliers operating in countries that implement EITI.
- Informing employees about EITI
- Stating support for EITI in Step 5 report
- Verification of the Mexico 2019 EITI report

5. Process for Identifying and Addressing Red Flags

DMM implements the process specified in items (1) through (6) below to identify and respond to red flags in the supply chain. The information gathered and communication on these red flag reviews are important for ensuring supply chain transparency and strengthening ongoing relationships of trust with suppliers, which helps to reinforce DMM's supply chain DD initiatives.

(1) Based on the Responsible Mineral Procurement Policy, DMM sets criteria (excluding recycling material) for identifying CAHRAs. DMM uses the following resources in determining CAHRAs.

- Countries covered by the U.S. Dodd-Frank Act
- Heidelberg Conflict Barometer
- Worldwide Governance Indicators
- CAHRAs set out by the EU
- Human rights indicators in the Fragile States Index 2022

- (2) DMM collects information from zinc concentrate suppliers through a KYC form, to the extent possible. Reasonable efforts are made to ensure that all necessary information is collected.
- Company attributes
 - Beneficial owners
 - Country of origin
 - Areas of operation and transit routes
 - Status of compliance with EITI
- (3) Due Diligence Officer checks information gathered through desktop research against the CAHRAs list and sanctions lists. When inconsistencies, errors, or incomplete information are found on a KYC form returned by a supplier, DMM's policy is to inform the relevant supplier of the items that need to be improved and request that the form be resubmitted.
- (4) If a supplier is classified as red flag, DMM's policy is to conduct a risk assessment of the relevant supplier based on the identified risks through enhanced supply chain DD (additional KYC, meeting records, ESG activity status and integrated reports, verification of records for previous on-site visits, etc.).
- (5) When risk assessment has been carried out, but adverse impact risks or actual adverse impacts cannot be adequately determined, DMM conducts an on-site visits.
- (6) To respond to the adverse impact risks and actual adverse impacts identified as a result of (5) above, DMM takes measures in accordance with the following criteria.

Results of supply chain DD	Decision on whether to engage in transactions
Annex II risks other than serious human rights violations or affiliation with armed groups have been identified	Transactions will continue while measure are being taken to reduce the risk involved. Note: Clear performance targets must be presented, including qualitative and/or quantitative indicators in order to measure the degree of improvement. Reasonable timeframes must also be identified.
Risks of serious human rights violations or affiliation with non-governmental armed groups have been discovered.	<ul style="list-style-type: none"> • Discontinue transactions immediately • Terminate agreement

6. Red Flag Assessment Results

No red flags were found for the period from October 2022 to September 2023 as a result of implementing the process for identifying and addressing red flags.