



DUE DILIGENCE IN THE SUPPLY CHAIN

2024 Report



Over the past year, the restructuring of the Procurement Department in the Mining Division has involved a reassessment of our practices and processes, enabling us to analyze the information collected through interactions with suppliers and contractors—from their application and contracting to the completion of their services.

This exercise has strengthened our supplier and contractor due diligence process, which aims to identify potential risks that could have a reputational, operational, or sustainability impact on the supply chain, whether due to non-compliance with our corresponding policies and codes or because of incidents occurring during the provision of services and delivery of products.

The due diligence process involves a systematic exercise of investigation, analysis, and evaluation that draws on various available data sources, including sector-specific, product-specific, and country-level considerations, as well as ESG (environmental, social, and governance) risks. It comprises three key stages during our interaction with suppliers and contractors:

- a) Screening
- b) Assessment
- c) Skill development and strengthening

As part of our commitment to sustainability and the promotion of responsible practices in the supply chain, our supplier classification in terms of due diligence is as follows:

- a) **Significant Tier 1 suppliers (large suppliers):** Those that provide critical or essential products or services for the operation and represent 80% of total spending.
- b) **Medium suppliers:** In conjunction with large suppliers, they account for 95% of total spending.
- c) **Small supplier:** In conjunction with the above, they account for 98% of total spending.
- d) **Micro suppliers:** In conjunction with the above, they account for 100% of total spending.

We also consider:

- **Direct suppliers – Tier 1:** Representing 100% of our annual spend.
- **Non-Tier 1 suppliers:** Suppliers that provide their products and services through direct suppliers to the company.

For all procurement processes, it is necessary to create the **supplier's bidder registration**, which involves a preliminary evaluation based on their tax status, commercial references, and a mandatory certification performed by an authorized third party. Following this step, the supplier proceeds with the formal registration, where they are required to:

- Comply with the Grupo México Business Partner Code of Conduct or the Code of Conduct for Suppliers, Contractors, and Relevant Business or Commercial Partners (Mining Division, including Southern Copper Corporation).
- Accept the Grupo México Code of Ethics.
- Follow the Grupo México General Human Rights Policy.
- Register contracted personnel with the applicable social insurance institution or its equivalent in the countries where we operate.

After this initial stage, the due diligence process begins.

a) Screening

The supplier screening process seeks to ensure efficiency, quality and sustainability in our supply chain, maintaining transparent processes for the procurement of goods and services, guaranteeing impartiality and equal opportunity among potential bidders, based on delivery, quality, cost, service time, experience, reputation, and the associated ESG risks and impacts.

We currently use three mechanisms to analyze the capacities of potential suppliers and to evaluate the capacity for continuity of existing suppliers:

1. Market analysis
2. Integrity and compliance monitoring
3. Supplier evaluation and self-assessment questionnaire

These mechanisms are applied as follows:

	Market analysis	Integrity and compliance monitoring	Supplier evaluation and self-assessment
Frecuency	Per event	Ongoing	Annually
Evaluation criteria:	<ul style="list-style-type: none"> Monitoring prices, raw materials Contextual analysis for the country of origin Monitoring geopolitical and supplyrelated risks ESG factors 	<ul style="list-style-type: none"> Legal and regulatory compliance Reputational risks Financial position Tax and labor-related risks ESG factors 	<ul style="list-style-type: none"> Quality Legal compliance Social responsibility Financial position ESG factors
Context for application:	During strategic procurement bidding processes	As part of ongoing reputational monitoring of suppliers and contractors	Once a year to determine subsequent review processes and improvement commitments
Type of supplier applicable:	Only suppliers and contractors of strategic materials and services	All suppliers	All suppliers
Actions on significant findings:	Bids rejected and bidding process is terminated	Adjustments to the payment process and/or termination of the contractual relationship	The level of subsequent review will be determined based on the severity of the finding
Current status:	Both exercises are in the process of being unified across our three divisions		In the process of being formalized and implemented, currently only in the Mining Division

We are prioritizing the following environmental, social and governance (ESG) risks through these mechanisms:

Environmental:

- Noncompliance with national and international environmental management certifications.
- Lack of initiatives to improve environmental practices.
- Lack of initiatives, practices and targets to reduce CO2 emissions, including climate change adaptation strategies.

Social:

- Human rights violations.
- Violations of labor laws and rights (decent work conditions, freedom of association, elimination of harassment, discrimination, child and forced labor).
- Lack of codes of conduct, policies or frameworks for engaging with indigenous peoples and communities.
- Lack of diversity and inclusion: level of participation and lack of policies and practices to promote diversity and inclusion.

Governance:

- Failure to comply with Codes and Policies on Business Ethics
- Unsatisfactory Organizational Reputation: poor perception of corporate governance practices (related to ethics and integrity, corruption, unfair competition and money laundering).
- Failure to meet quality standards or expected service levels.



Although the three mechanisms are applied at different times, we are currently working on identifying points of convergence in the information analyzed to generate a single database for screening suppliers and contractors.

The implementation process for each mechanism is described as the following:

1. Market Analysis

Preparing a current market analysis is important to identify the potential risks associated with the product, country and sector. This analysis includes a detailed review of current trends, economic challenges, government regulations, and the social or environmental issues that could impact our supply chain, either directly or indirectly.

1. First, we closely monitor the **prices for the raw materials** associated with the product to be supplied, identifying also the principal producer and consumer countries of the products and/or raw materials, as well as their uses in other industries. By understanding this behavior, we can anticipate price fluctuations and ensure a sustainable and competitive supply.
2. Then, we prepare an in-depth analysis of the **supplier country context** using strategic tools such as PESTEL, which looks at six key aspects: political, economic, social, technological, environmental and legal, and the PORTER model to understand competitive factors in the industries or sectors of our suppliers, consumption patterns and production patterns, which helps to anticipate changes in demand and adapt to market trends, ensuring our suppliers are aligned with our expectations of growth and sustainability.
3. Lastly, we monitor news outlets to identify **potential geopolitical and supply risks** that could affect our value chain.

This analysis is used solely to inform negotiation strategies for bidding processes and is carried out as follows:

1. First, we prepare a **Request for Information (RFI)**, which invites bidders to provide information about their business, social, environmental and governance aspects, to ensure they are aligned to the strategic goals and standards of the company.

This proactive approach not only helps to mitigate risks, it also identifies emerging opportunities in the market that can be exploited to strengthen the company's competitive position.

Understanding the global and local contexts of suppliers informs our decision-making, supporting the selection of suppliers who meet our technical and commercial requirements and who align with our corporate values and principles on social responsibility and environmental sustainability.

2. **The Request for Proposal (RFP)** includes the list of products that Grupo México is seeking, along with the locations and quantities required, to request a quote from suppliers. The quote requires a formula for updating prices and a value proposal, evaluated as a whole.
3. Depending on the nature of the category and the strategy defined, the process may include additional phases to optimize the competitiveness and value. The bidders that best meet these criteria participate in an operational testing phase. On successfully completing this phase, the contract is awarded based on the needs of the organization.
4. The supply contract is then formalized with the successful bidders and, lastly, the supply contract is monitored and managed for the benefit of all the parties involved.

2. Integrity and compliance monitoring

The Mining Division Compliance department and the Procurement and Planning and Control departments of the Infrastructure and Transportation divisions perform this monitoring to verify the integrity of the suppliers and participants in our supply chain (distributors, manufacturers, among others), as well as relevant customers and business partners.

This process involves ongoing monitoring of the following aspects through exclusion lists, sanctions and media coverage:

- Politically exposed people (PEPs)
- Official, sanction and exclusion lists
- Additional country risk
- Negative media coverage
- Other high-risk factors, such as bribery, corruption, fraud and dealings with sanctioned parties

It's important to note that, as part of the integrity and compliance monitoring process, we review whether the mined minerals the Mining Division receives come from countries on the European Union CAHRAs list (related to the Copper Mark's requirements), ensuring we remain in compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.



As part of the ongoing improvement of our processes, the Mining Division is currently looking at the possibility of unifying the use of monitoring services and platforms across our Transportation and Infrastructure divisions.

3. Supplier evaluation and self-assessment questionnaire

The exercise of reviewing our practices led the Mining Division to develop an evaluation and self-assessment questionnaire for suppliers (distributors, manufacturers, among others), customers and relevant commercial and business partners.

The tool addresses the following aspects, among others:

- Product or service quality standards and fulfillment
- Commitments regarding anti-corruption, money laundering and anti-trust
- Legal compliance in environmental, labor and occupational health and safety aspects
- Reporting mechanisms
- Policies, procedures or mechanisms that promote freedom of association and collective bargaining, the self-determination of indigenous peoples, environmental care, and harmonious relationships with the community
- Health and safety plans to eliminate or mitigate risks and related courses and training
- Management of the supplier's supply chain



This questionnaire is currently in the implementation phase. The results from its application, together with the standardization of additional screening mechanisms, will allow us to develop an ESG risk scale for suppliers and contractors. This scale will define the parameters and scope of the level of assessment they must undergo, with the aim of building relationships that ensure both business sustainability and commercial performance.



This scale will also enable us to develop exclusion and preference criteria for selecting suppliers and contractors based on their ESG performance.

For more information on the processes and improvement commitments, please refer to the details of the ESG Supply Chain Program later in this document.

KPIS – Screening

Division	Total direct suppliers (T1)	Total critical suppliers (Significant in T1)	% of total suppliers (Significant)	% of spend on critical suppliers (Significant in T1)
Total MIN DIV	3,591	681	19%	87%
SCC	2,780	522	19%	88%
Mexico (MM)	1,366	343	25%	90%
Peru (SPCC)	1,414	179	13%	84%
USA (ASARCO)	811	159	20%	85%
Total TRA DIV	4,004	607	15%	85%
Mexico	2,389	495	21%	86%
USA	1,615	112	7%	80%
Total INFRA DIV	2,363	235	10%	87%
Total GM	9,958	1,523	15%	86%

b) Assessment

We are currently working with four levels of evaluation for suppliers and contractors:

Level of evaluation	Characteristics	Result	Current scope
Level 1 – Commercial performance	Documented proof of legal and tax compliance	Supplier rating according to level of fulfillment	Three divisions of Grupo México
Level 2 – Site visits	Inspection visits to conduct a technical review of specifications, codes and regulations relevant to the goods and services	Suppliers are classified as reliable, conditionally reliable or unreliable, according to the inspection report	
Level 3 – Specialized services or materials	Depends on the type of certification required for specialized services or materials	Supplier performance score according to quarterly fulfillment of obligations	Mining Division, operations in Mexico only
Level 4 – Sector	Depends on the sector or industry in question, according to the type of product, service or raw material	In development	Mining Division

Each level of evaluation is described following:

1. **Commercial performance assessments:** Review of documents to confirm legal and tax compliance in each country where we operate. We use the services of third party for this process, who gathers, reviews and analyzes supplier information to improve the procurement processes in our supply chain.

This process considers the following criteria:

- Legal status and constitution
- Detailed economic activity
- Financial soundness
- Tax standing
- Credit situation
- Operational details
- Commercial references from clients
- Quality policies and certifications
- Environmental and social commitments
- Compliance with labor-related obligations
- Sustainability, such as Council on Economic Priorities (CEPAA) voluntary certification of working conditions (SA8000), ISO 26000, ISO 45001 and ISO 14001

2. **Onsite assessments:** Led by the Procurement departments or the engineering and construction inspection offices and conducted by company personnel or by contracted consultants.

For example, the Mining Division has procedures in place for third parties to conduct inspections of materials, equipment and repairs (suppliers, repair shops, etc.), applied for mines, plants and active projects. This process ensures the purchased goods and services meet the standards and specifications for their correct operation and durability.

As required and on request, these inspections may include visits with the supplier to verify compliance with technical specifications, codes and regulations for each type of order or request for goods and/or services. Of note is that this part of the process is only applied in certain cases.

3. **Audits and assessments for specialized services or materials:** Conducted by accredited auditors (company or independent) and depend on the type of certification required for specialized services or materials. This level of evaluation is currently being used for environmental aspects, and we are looking at the possibility of developing a similar procedure for social aspects in the medium term.

3.1 Environmental Assessment

Outside suppliers and contractors for Minera México (Mining Division operations in Mexico) purchasing and contracts undergo an environmental review according to their compliance with environmental legal requirements, looking at environmental aspects and impacts, and considering the lifecycle of the products. This review considers two main scenarios:

a) Specifications during the selection of suppliers and contractors:

We use an impact matrix for this process to review each element related to sustainability to understand the most significant aspects according to the types of materials, goods or services provided by the suppliers or contractors.

The elements related to sustainability are:

- water consumption and quality
- climate change
- pollutant emissions and controls
- waste generation and management
- biodiversity protection
- environmental risk and emergencies

The impact matrix categorizes suppliers and contractors into two main groups: suppliers of goods or materials, and service providers or contractors, which include those that supply or provide chemical substances and hazardous materials, recycling or recovery services, hazardous waste transportation and management, urban solid waste and waste requiring special handling transportation and management, explosives handlers, among others.

The risks and opportunities associated with suppliers and contractors are addressed in the context analysis for each operation, after their performance has been reviewed and the specifications and requirements are defined as outlined in the Operational Control Procedure for Purchasing and Contracts. This review helps to direct our efforts to areas where they will have the greatest impact, to implement more effective practices and mitigate environmental risks

b) Performance review:

The following processes are applied according to the environmental impact matrix classification of suppliers and contractors:

b.1) Suppliers of goods or materials

Suppliers of goods and materials are not subject to a performance review as their contribution does not pose a significant risk to the operation or the environment. Instead, the focus is on maintaining an open line of communication and ensuring the standards and requirements laid out in our commercial agreements and company policies are met.

b.2) Service providers or contractors

The Environmental departments at each operation conduct the performance reviews for service providers or contractors classified as high impact, to verify compliance with the commercial agreement, which includes a statement of environmental responsibility.

The review includes verification of compliance with general and specific operational controls to assign the contractor a performance score, adding the verification scores together, assigning 30% weight to the general operational controls and 70% to the specific operational controls.

The performance results are reported to the Contract department quarterly to inform decision-making for future contracts. Any contractor that receives a performance score of less than 70% over three consecutive periods, or that fails to provide to the Environment and Ecology department the necessary information to review their performance, will receive notice from the Contract department to address the shortfalls, at the request of the Environment and Ecology department. Any contractor that fails to address these shortfalls may be sanctioned.

Shipping companies are reviewed during loading or unloading at Minera México sites using a checklist for the transportation of hazardous substances, materials or waste. Areas of opportunity identified are reported to the department that manages the contract and controls access to the site. Any issue or finding involving service providers or contractors classified as having a medium impact will be reported to the corresponding department for their attention. Service providers or contractors classified as having a low impact are not subject to performance review.

4. **Sector assessments and certifications:** This type of review and certification process considers specific requirements according to the type of product, service or raw material, and depends on the type of sector or industry. This level of evaluation does not result from the screening mechanisms but may follow the Level 2 and Level 3 evaluations. We are currently defining the scope and implementation mechanisms for these types of review.

For example, a review of our relevant business partners was prepared for the Mining Division based on environmental, social and governance criteria. This process was evaluated by an independent third party for our The Copper Mark certification for the METCO processing plant, La Caridad mine, and the Zinc refinery in Mexico.



With the aim of standardizing the results of each assessment, we are in the process of harmonizing the types of reports generated, the frequency of application, the recommendations, the improvement plans, and the compliance categories, in order to establish a clearer picture of the type of remediation actions required for each supplier category.

KPIS – Assessment

Division	Total suppliers evaluated (desk/on-site)	% of significant T1 suppliers evaluated	Number of suppliers evaluated with substantial negative impacts (current/potential)	% of suppliers with negative impacts that have improvement plans	Number of suppliers with negative impacts whose business relationship was terminated
Total MIN DIV	301	44%	42	0%	0
SCC	284	54%	39	0%	0
Mexico (MM)	182	53%	36	0%	0
Peru (SPCC)	102	57%	0	0%	0
USA (ASARCO)	17	11%	3	0%	0
Total TRA DIV	192	32%	11	9%	0
Mexico	192	32%	11	9%	0
USA					
Total INFRA DIV	235	100%	85	73%	1
Total GM	728	48%	138	46%	1

Notes:

- As part of the ongoing improvement and standardization of evaluation mechanisms and tools, we have progressively increased the percentage of significant suppliers assessed.
- Given the current phase of restructuring, formalization, and stabilization of our due diligence process for suppliers and contractors, our coverage target for significant suppliers is set at approximately 30% during the first year of implementation. This approach allows for an objective analysis of the data collected, enabling us to appropriately strengthen each mechanism and tool within the due diligence process.

c) Supplier development and support services

When the different stages of the evaluation or review return any significant finding, the suppliers and the company together prepare a strategy to work on correcting the deficiencies.

Level of evaluation	Significant findings	Follow-up actions
Level 1 – Commercial performance	Each supplier receives a score and is classified according to their level of compliance or fulfillment; improvement plans are prepared with suppliers that receive a score of less than 70 points.	The findings report serves as a guide to remedy deficiencies together, in addition to the follow-up improvement plan.
Level 2 – Site visits	Inspection, progress or rejection reports are issued on the completion of the process, classifying suppliers as reliable, conditionally reliable or unreliable.	If an inspection finds the established requirements and criteria are not met, the supplier is given the opportunity to take action to correct the findings; if such is not done, our commercial relationship with them will be terminated.
Level 3 – Specialized services or materials	The contractor is given a score considering their performance in general and specific operational controls.	Quarterly monitoring or follow-up plan for one year, with sanctions for failure to comply, depending on the performance score.
Level 4 – Sector	We are currently developing scenarios and follow-up actions for findings on this type of evaluation or review.	

The Procurement departments, and those involved in specialized services such as the Environment department, follow up on these improvement actions and commitments. If the supplier does not correct their deficiencies within the time agreed, we look at different scenarios, including alternative options, sanctions or termination of the commercial relationship.

We also offer different development programs, technical support services and reporting mechanisms, which are available to suppliers and contractors:

- **Supplier portal (AMC):** Supports tracking payment processes.
- **Shared Services Center:** Administrative team that monitors supplier and procurement procedures.
- **Support and Attention Center:** Open and permanent communication mechanism between the community and Grupo México to receive grievances and/or concerns from the community, including suppliers.

KPIS – Development and support services

Division	Total suppliers in improvement program/plan	% of suppliers with negative impacts that have improvement plans	Total suppliers in capacity-building programs	% of significant (T1) suppliers in capacity-building programs
Total MIN DIV	-	-	-	-
SCC	-	-	110 *	-
Mexico (MM)	-	-	110 *	-
Peru (SPCC)	-	-	-	-
USA (ASARCO)	-	-	-	-
Total TRA DIV	1	9%	-	-
Mexico	1	9%	-	-
USA	-	-	-	-
Total INFRA DIV	62	73%	-	-
Total GM	63	46%	110 *	-

Notes:

- The 110 reported suppliers correspond to the micro supplier's category, trained under the Provee program, of which 29% are part of Grupo México's supply chain.



As a result of applying the screening and evaluation mechanisms within the due diligence process, the support and capacity-building programs for suppliers and contractors are currently in the process of being defined and standardized across Grupo México's three divisions.

Complementary Initiatives

As part of our commitment to continuous improvement, Grupo México has launched various initiatives to strengthen our supply chain, such as:

Environmental Bidder List¹ – Mining Division, Mexico

The Environmental Bidder List is a process that establishes formal criteria for the procurement of products and services from suppliers and contractors regarding environmental aspects. These criteria are included in the **Purchasing and Contract Operations Control Procedure** for Minera México.

The procedure aligns with the requirements of **ISO 14001:2015** and includes:

- Development of an Environmental Management System Manual – Environmental Bidder List
- Conducting an environmental assessment of activities carried out by contractors
- Mandatory signing of an environmental responsibility letter by contractors, suppliers, and visitors of Minera México, its affiliates, and/or subsidiaries
- Environmental communication for visitors, transporters, and suppliers

¹ Registry of companies or suppliers expressing interest in participating in a procurement process or in providing specific goods or services.

This procedure is applied in negotiations with suppliers of a wide range of products, including thermal insulators, air conditioning and refrigeration equipment, explosives, lamps/bulbs, motors, paints and varnishes, sanitary and kitchen equipment, refrigerants, chemicals (including raw materials, sulfuric acid, reagents, among others), vehicles, construction materials, wood and forestry products, and pollution control equipment spare parts.

The Environmental Bidder List also requires that suppliers have valid accreditations with applicable national or international environmental authorities and hold the necessary permits and licenses to carry out activities.

We aim to formalize similar procedures in Peru and the United States in the medium term, as well as applicable processes for the Infrastructure and Transport divisions.

Provee: Small suppliers, big allies

The Provee (Provide) program in our Mining Division supports local small businesses to join our value chain, through trainings, personal attention and streamlined administrative processes.

The program is aimed at local small businesses that meet the following criteria:

- the business is located within the area of influence of Grupo México mine operation
- less than 50 employees
- annual sales under US\$500,000

Benefits for program participants include:

- 30-120 hours of training (in-person or via institutional platforms), depending on the specific needs of each business.
- Consulting on registering processes, bids, contracts and estimates, reducing processing times by 52%.
- Invitations to participate in bidding and other processes related to the line of business.
- Simplified payments, reducing times by 50%.

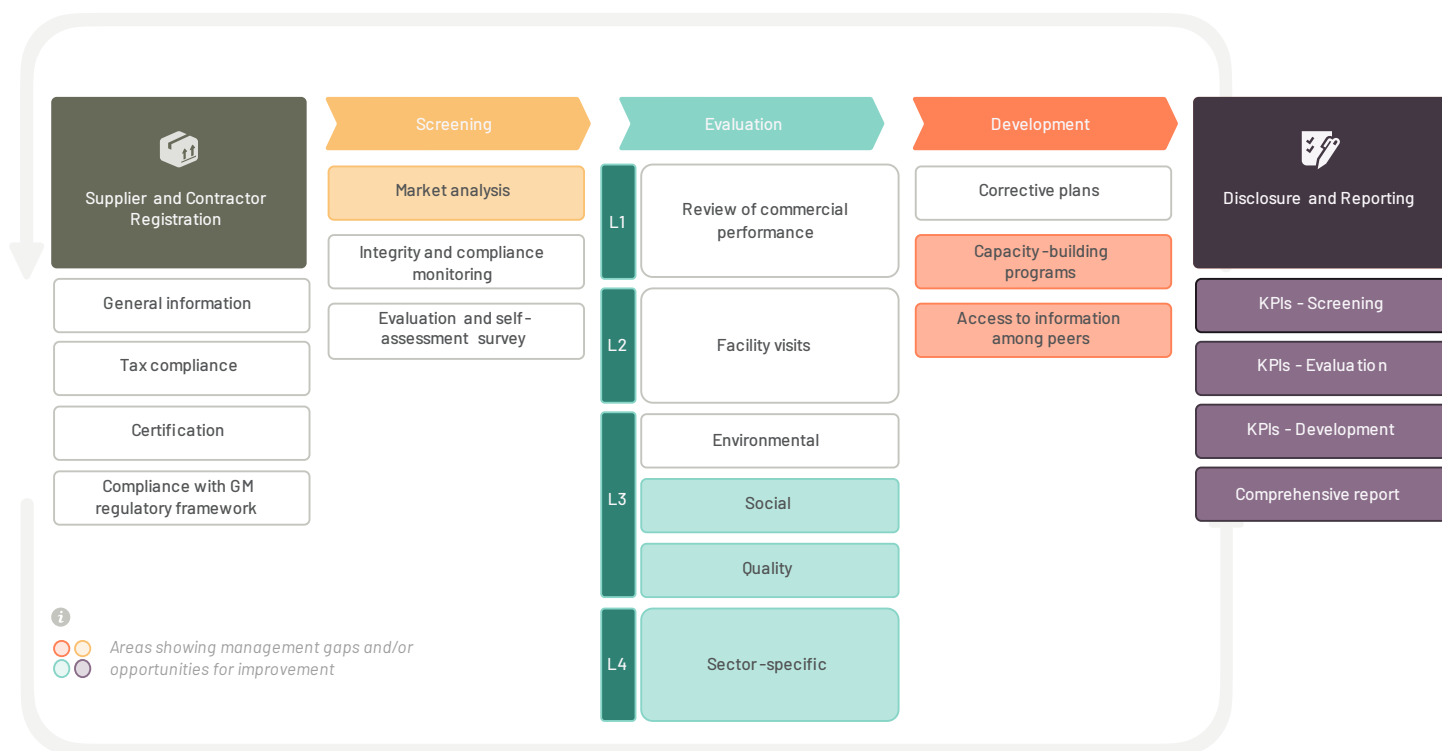
The Provee program is in operation in Cananea, Sonora and San Martín, Zacatecas, in Mexico. We plan to expand the program in 2025 to four communities, one in Mexico, two in Peru, and one in the United States.

The implementation of the program at each site considers the needs identified through the participative social diagnostics prepared by the Community Development Department, and the perspectives of the Community Committees, local institutions and organizations, and the procurement requirements of our mine operations in each location.

Additionally, we acknowledge and respect legitimate artisanal and small-scale mining that is conducted in adherence to the laws and regulations in the countries where we operate and do not produce conflicts or engage in criminal activity. Therefore, all programs and services offered by the Community Development area are open to these groups, as well as to the general community, with special emphasis on the Support and Attention Center (SAC) as a key engagement mechanism and as part of Provee.

ESG Supply Chain Program

Overall, our supply chain due diligence process is outlined as follows:



Grupo México's Supply Chain Due Diligence Process

The segments shaded in the chart above represent management gaps and improvement opportunities, which are currently the focus of our ESG Program for the Supply Chain.

In addition to the restructuring of the Mining Division's Procurement Department and the standardization of practices across divisions to strengthen the due diligence process, during 2024, the Sustainable Development Directorate of the Mining Division coordinated workshops and training sessions with the Cost and Procurement Departments (Supplier Management, Purchasing and Contracts, Strategic Sourcing, and Warehouses), Foreign Trade, Traffic and Ports, Compliance, and Commercial departments. The objective was to establish commitments and a sustainability gap remediation plan in supply chain management.

The objective and key outcomes of each workshop are summarized below:



Participants in Supply Chain ESG Workshops

Workshop	Objective	Results
#1 – Sustainability Gaps in the Supply Chain	<ul style="list-style-type: none"> Contextualization of the current sustainability landscape in relation to the Supply Chain and ESG expectations. 	<ul style="list-style-type: none"> An interactive session was held to explore requirements from agencies, investors, and sustainability evaluation frameworks among participants, aiming to identify current processes and responsible parties. A database was developed based on the session outcomes to map ESG improvement expectations (short-, medium-, and long-term) more systematically regarding supply chain management practices. Six priority ESG-related processes were identified for collaborative work: GRI Reporting, CSA Evaluation, Copper Mark certifications, ISO 14001 certifications, Carbon Footprint (CDP, TCFD, CA100), and Nature (CDP, TNFD, NA100).
#2 – Strategy for Addressing ESG Processes Related to the Supply Chain	<ul style="list-style-type: none"> Formation of working groups for each of the six previously identified ESG processes. 	<ul style="list-style-type: none"> Departments within the Supply Management Directorate of the Mining Division presented their respective roles, scope, processes, and organizational structures. Working teams and responsible individuals were designated for ensuring compliance with the six ESG processes.
#3 – ESG Process Compliance Related to the Supply Chain	<ul style="list-style-type: none"> Reporting progress on each of the six ESG processes. 	<ul style="list-style-type: none"> Results were presented for the development of the Sustainability Report and Carbon Footprint Calculation, along with the requirements for meeting the remaining ESG processes. Personnel from metallurgical units participated to raise operational-level supply-related challenges, with the goal of establishing linkages and commitments to improve the environmental management system.

The main commitments of the **ESG Supply Chain Program** are summarized below:

Improvement processes		Specific commitments	Estimated time		
			2025	2026	2027
Screening	Standardization of mechanisms and definition of risk parameters	Unification of current mechanisms	●		
		Development of a risk scale to determine the applicable level of evaluations, including preference and exclusion criteria	●		
Assessment	Standardization and strengthening of current mechanisms at each evaluation level	Standardization of the types of reports generated, frequency of application, recommendations, improvement plans, and compliance categories resulting from each evaluation level	●		
		Strengthening Level 3 – Environmental evaluation based on the analysis of impacts and dependencies on nature in the supply chain, following TNFD recommendations		●	
		Implementation of Level 3 – Environmental evaluation in Peru and the United States for the Mining Division			●
		Development of Level 3 – Social aspects evaluation mechanism for the Mining Division		●	
		Development of Level 3 – Quality aspects evaluation mechanism for the Mining Division		●	
Supplier development and support services	Implementation of capacity-building programs and improvement plans	Implementation of capacity-building programs for suppliers and contractors		●	
		Development of support mechanisms, including access to information on best practices to strengthen suppliers and contractors' improvement plans			●
	Strengthening of the Provee program for local suppliers	Expansion of the program in four communities in Mexico (1), Peru (2), and the United States (1)	●		
Continuous improvement of the due diligence process	Strengthening of the due diligence process at Grupo México and SCC level	Implementation of improvement recommendations, based on recertification processes of The Copper Mark in the La Caridad and Metallurgical Complex units in Sonora, Mexico	●		
		Full implementation of the due diligence process across 100% of the operational units of:			
		Minera México (Mining Division units in Mexico)		●	
		United States and Peru (Mining Division)			●
		Transportation and Infrastructure Divisions			●

* The full implementation process in units includes training activities for buyers and all related internal parties, according to their roles in each mechanism of the due diligence process for the Supply Chain.

Due Diligence Report – La Caridad and Metalurgical Complex – Copper Mark 2024

This document details the structure of each mechanism that composes Grupo México's due diligence process. Likewise, we have identified remaining areas of opportunity for its full implementation and defined a continuous improvement plan through 2027, covering all three divisions of Grupo México.

For the 2025 recertification process of La Caridad and the Metalurgical Complex in Sonora, Mexico, a sample of 25 suppliers was selected to verify the application of the due diligence process mechanisms.

According to the supplier classification within the due diligence process, the following is the level of application for each mechanism:

Category	a) Screening				b) Assessment			
	Registration	Market analysis	Integrity and compliance monitoring	Evaluation and self-assessment	L1 – Commercial performance	L2 – Facility visits	L3 – Specialized services or materials	L4 – Sector-specific
A. Large	●	●	●	●	●	●	●	
B. Medium	●	●	●	●	●	●	●	
C. Small	●		●	●	●	●	●	
D. Micro	●		●	●	●	●		

Level 4 - Sector specific assessments and certifications: This type of review and certification process considers specific requirements according to the type of product, service or raw material, and depends on the type of sector or industry. This level of evaluation does not result from the screening mechanisms but may follow the Level 2 and Level 3 evaluations. We are currently defining the scope and implementation mechanisms for these types of review.

For the purposes of this exercise, full documentation is provided for certain mechanisms that are not applicable to small and micro suppliers (●). Given their classification, these mechanisms are not implemented in practice.

The detailed analysis for each unit is presented below:

La Caridad Mining Unit, Nacozari, Sonora, México

Category – Supplier/Contractor Sector or Product Type	a) Screening				b) Assessment			
	Registration	Market analysis	Integrity and compliance monitoring	Evaluation and self-assessment	L1 – Commercial performance	L2 – Facility visits	L3 – Specialized services or materials	L4 – Sector-specific
(A) Fuels: oil, gasoline, and gas	✓	✓	✓	✓	✓	✗	✗	✗
(A) Off-highway surface mobile equipment	✓	✗	✓	✓	✓	●	✗	✗
(A) Large tires	✓	✓	✓	✓	✓	●	✗	✗
(B) Electrical equipment, substations, control rooms, UPS systems, and panels	✓	✗	✓	✓	✓	✓	✓	✗
(B) Metal-mechanical services	✓	✗	✓	✓	✓	●	✗	✗
(B) Electric motors and motor control centers	✓	✗	✓	✓	✓	●	✗	✗
(C) Lifting devices, steel and fabric cables, chains, and accessories	✓	✗	✓	✓	✓	✓	✗	✗
(C) Laboratory and environmental: equipment, spare parts, and materials	✓	✗	✓	✓	✓	✓	✗	✗
(C) Welding, cutting, and thermofusion: equipment and accessories	✓	✗	✓	✓	✓	●	✗	✗
(D) Crushing equipment	✓	✗	✓	✓	✓	✓	✗	✗
(D) Human resources	✓	✗	✓	✓	✓	✓	✗	✗
(D) Process pumps (industrial)	✓	✗	✓	✓	✓	✓	✗	✗
(A) Large tires	✓	✓	●	●	✓	●	✗	✗

✗: Not applicable | ●: In progress | ✓: Completed | ✓: Completed – with significant findings

Analysis:

- 100% of the sample has a **successful registration as a bidder** within the company's supplier and contractor registry.
- Market analysis** is carried out occasionally by the corporate team and segmented by product or service category. Therefore, it is not applicable to 80% of the sample, but only to suppliers/contractors of fuels and large tires.
- Integrity and compliance monitoring** forms part of our controls for the prevention and identification of risks, with the objective of establishing and maintaining ethical, legal, and transparent business relationships. In this regard, 92% of the sample (12 out of 13 suppliers) successfully passed the analysis, and were classified as "reliable" for the formalization of a business relationship.

- As a result of our monitoring analysis, an alert was detected regarding our supplier of *lifting devices, steel and fabric cables, chains, and accessories*, which was allegedly included in the list published by the Mexican Tax Administration Service (SAT). Given the sensitivity of this alert, a detailed review of the list was conducted and, after consulting the information available on SAT's official portal, no record was found corresponding to this supplier. Consequently, no additional recommendations were issued, nor was continuous evaluation deemed necessary in this case, since no evidence was identified to confirm the alert—neither in the SAT list nor in the verification tool used.
- Both from the **evaluation and self-assessment** process, as well as from **Level 1 – Commercial Performance**, several areas of opportunity were identified in relation to sustainability, governance, and quality standards. The most frequent weaknesses include limited innovation, the absence of robust environmental policies, deficiencies in quality management, and gaps in the evaluated social and governance aspects. In addition, it was observed that several suppliers still lack formal ethics, anti-corruption, and supply chain management criteria, which increases risks of non-compliance and operational inefficiency.
- These improvement areas highlight the need to establish basic quality control and return mechanisms within our internal processes, as well as to strengthen supplier and contractor capacities in relation to our ethical framework, anti-corruption policies, and data protection standards to ensure a higher level of compliance. It is also a priority to encourage suppliers and contractors to develop sustainability and environmental policies or commitments that include recycling, energy efficiency, and impact reduction, as well as occupational health and safety plans with training in the use of personal protective equipment. To foster innovation, it is recommended to allocate minimum resources for process updates or equipment acquisition, as well as to implement training programs in compliance with international standards such as ISO 9001, ISO 14001, or ISO 31000, to consolidate standardized management practices and strengthen the relationship with La Caridad, ensuring a more responsible, efficient, and sustainable operation.
- Regarding **Level 3 – Environmental Evaluation**, only one supplier in the sample is subject to this mechanism. This is because, at present, the environmental evaluation mechanism applies exclusively to contractors.
- The Level 3 – Environmental Evaluation process begins with a notification of applicability issued by the Contracts area to the environmental department at the operating unit. These responsible parties request technical documentation from the supplier following such notification. Subsequently, service execution is monitored monthly, and a quarterly evaluation and rating process is carried out for the supplier. If a supplier receives a rating below 70, regularization actions are determined, with immediate compliance required.

Metalurgical Complex, Esqueda, Sonora, México

Category – Supplier/Contractor Sector or Product Type	a) Screening				b) Assessment			
	Registration	Market analysis	Integrity and compliance monitoring	Evaluation and self-assessment	L1 – Commercial performance	L2 – Facility visits	L3 – Specialized services or materials	L4 – Sector-specific
(A) Safety	✓	✗	✓	✓	✓	✓	✓	✗
(A) Refractories	✓	✗	✓	✓	✓	✓	✗	✗
(A) Mechanical workshop	✓	✗	✓	✓	✓	●	✗	✗
(B) Workshop and hand tools	✓	✗	✓	✓	✓	✓	✗	✗
(B) Fiberglass products	✓	✗	✓	✓	✓	●	✓	✗
(B) Process pumps (industrial)	✓	✗	✓	✓	✓	✓	✗	✗
(C) Industrial gases (not for welding)	✓	✗	✓	✓	✓	●	✗	✗
(C) Hydraulic components: pumps, hoses, fittings, and cylinders	✓	✗	✓	✓	✓	●	✗	✗
(C) Drilling steel: drill bits, rods, and accessories	✓	✗	✓	✓	✓	●	✗	✗
(D) Building services	✓	✗	✓	✓	✓	●	✗	✗
(D) Laboratory and environmental: equipment, spare parts, and materials	✓	✗	✓	✓	✓	●	✗	✗
(D) Uniforms and coveralls	✓	✗	✓	✓	✓	●	✗	✗

✗: Not applicable | ●: In progress | ✓: Completed | ✓: Completed – with significant findings

Analysis:

- 100% of the sample has a **successful registration as a bidder** within the company's supplier and contractor registry.
- Market analysis** is conducted periodically by the corporate team and segmented by product or service category. Therefore, it is not applicable to 80% of the sample, but only to suppliers/contractors of fuels and large tires.
- Integrity and compliance monitoring** forms part of our risk prevention and identification controls, with the objective of establishing and maintaining ethical, legal, and transparent business relationships. In this regard, 91% of the sample (11 out of 12 suppliers) successfully passed the analysis and were classified as "reliable" for the formalization of a business relationship.
- As a result of our monitoring analysis, it was identified that our *industrial gases supplier (not for welding)* was sanctioned with a fine for failing to comply with commitments made before the Federal Economic Competition Commission (COFECE). Based on our risk prevention controls,

the recommendations are: requesting documentary evidence of fine payment, remediation of non-compliance and certification, as well as quarterly supervision and monitoring for follow-up of the case. These recommendations are currently in the process of implementation.

- Both from the **evaluation and self-assessment** process, as well as from **Level 1 – Commercial Performance**, relevant observations regarding supplier performance were identified: weaknesses in quality management, particularly among smaller companies, as well as limitations in innovation and in the incorporation of sustainability practices. An absence of formal environmental, social, and governance policies was also observed, which increases the risk of non-compliance and undermines the strength of the supply chain.
- These areas for improvement highlight the need to establish basic quality control and return mechanisms within our internal processes, as well as to strengthen supplier and contractor capacities in relation to our ethical framework and anti-corruption policies to ensure a higher level of compliance. Finally, environmental management represents a critical point in the analysis, where joint actions are sought related to recycling and energy efficiency, which would contribute to strengthening both supplier operations and their value relationship with the company's operations.
- Regarding **Level 3 – Environmental Evaluation**, only one supplier in the sample is subject to this mechanism. This is because, at present, the environmental evaluation mechanism applies exclusively to contractors.
- The Level 3 – Environmental Evaluation process begins with a notification of applicability issued by the Contracts area to the environmental department at the operating unit. The parties responsible request an introductory session with the contractor to evaluate applicable legal requirements and define responsibilities. Subsequently, service execution is monitored monthly, and a quarterly evaluation and rating process is carried out for the supplier. If a supplier receives a rating below 70, regularization actions are determined, with immediate compliance required.

Example of Non-Compliance Cases

Type of material/good/service: 3.5" High-Chrome Grinding Ball

Areas involved: Operations (Concentrator Plant), Warehouses, and Strategic Procurement

Case Description:

As part of a company-wide (AMC) bidding process for the supply of grinding media, conducted by the Strategic Procurement team, supplier XXX was awarded the contract to provide 3.5" high-chrome grinding balls for the San Martín and Charcas units.

Following notification from the user area regarding deficiencies in the quality of the delivered product, the first non-conformity notice was issued to the supplier, requiring the submission of a corrective action plan to replace the non-compliant product. As deficiencies persisted, a second non-conformity notice was issued, requesting:

- 1) The delivery, at no additional cost (\$0.00), of a new batch that met the required quality standards.
- 2) A technical visit to the supplier's facilities by Operations and Procurement personnel, aimed at evaluating production process conditions and determining the feasibility of continuing with the supply agreement.

Following the technical visit to the supplier's plant, a report was issued with observations in four key areas:

- a. Quality control
- b. Product specifications
- c. Safety conditions
- d. Logistics aspects

Outcome:

As a result of this evaluation, the decision was made to terminate the contract, with the supplier being formally notified of the resolution through an official letter issued by the Strategic Procurement team.

Current Status:

At present, no commercial commitment exists with the supplier. However, the supplier has been encouraged to strengthen its quality processes with a view to potential participation in future supply opportunities.

Continuous Improvement:

In retrospect, the main areas for improvement identified in our current processes involve providing technical and operational support to suppliers in order to prevent non-compliance in the quality of supplied products.

• Pre-award validation of the production process:

We are evaluating the implementation of a pre-award technical visit, focused on reviewing the supplier's manufacturing conditions, quality control mechanisms, and installed capacity, in order to detect potential deviations from the required specifications at an early stage.

• Joint review of technical specifications:

In parallel, we aim to develop formal review spaces with the supplier following contract award — in the form of laboratory testing or technical meetings — to ensure mutual understanding of the required quality parameters, as well as warranty response protocols.