

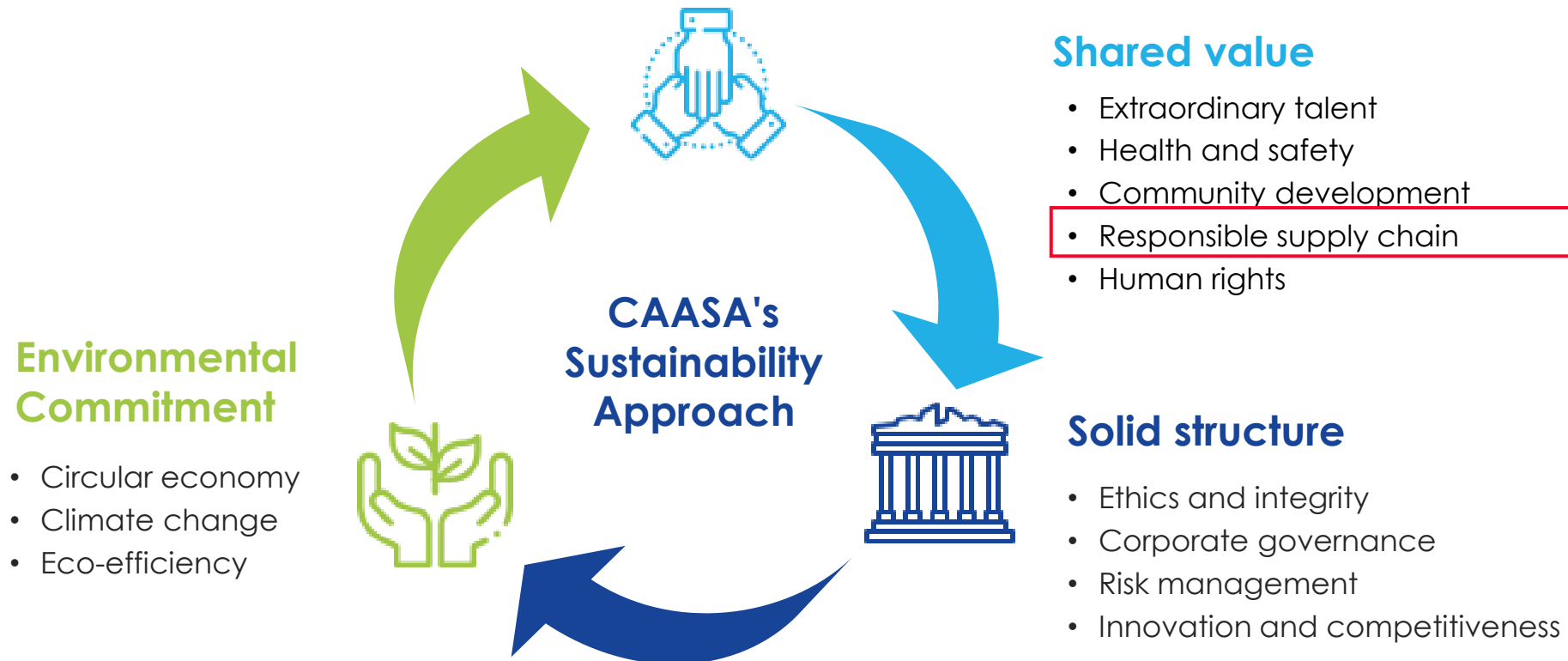
RESPONSIBLE SUPPLY CHAIN MANAGEMENT

2024

CAASA Sustainability Strategy



During 2021, we formalized our Sustainability Strategy, which aims to position us at the forefront of international best practices and the current needs of society, the planet, and the organization.



Responsible supply chain



Our suppliers are the key to our business's success and sustainability.

At Aceros Arequipa, we are committed to ensuring an efficient supply of inputs and services, locally and internationally, through the comprehensive development of our suppliers, following international best practices.

Due to the varying needs of the environment, we seek to strengthen our commercial relationships and promote joint growth ethically and responsibly, aligned with international best practices and labor human rights standards.



Responsible supply chain



MISSION

Ensure the availability of products for sale, providing an adequate level of service to our internal and external customers, optimizing working capital and logistics costs.

VISION

To be a highly motivated team and committed leaders who provide solutions, create improvement opportunities with innovation, integrate all logistical processes, and focus on customer satisfaction with cost optimization.

Governance



To ensure an efficient supply of inputs and services, locally and internationally, we have established a governance structure that includes the active participation of the Sustainability Committee and the Board of Directors.

Sustainability Committee

- **Strategy and Policy Definition:** Definition of strategies and policies for supply chain management, aligned with our sustainability goals.
- **Supplier Evaluation:** Oversight of the supplier selection and evaluation process based on ESG criteria.
- **Monitoring and Follow-up:** Track the results of evaluations and conduct regular visits to ensure compliance with our policies.
- **Training and Development:** Promotion of training and development programs to improve supplier practices.

Board of Directors

- **Approval of Policies and Strategies:** Review and approval of proposed policies and strategies.
- **Oversight:** Monitoring the implementation and effectiveness of sustainability policies.
- **Risk Management:** Through the Audit, Finance, and Risk Committee, ensures proper risk management that directly impacts the value chain, overseeing compliance with corporate codes and policies.

Code of Ethics for Suppliers and Contractors



The **Code of Ethics for Suppliers and Contractors** establishes the conduct guidelines, values, and responsible business practices that we expect our suppliers and contractors to uphold in the development of their businesses and relationships with third-party companies or institutions.

We also require our suppliers and contractors to extend this code or similar standards of conduct to their supply chains and to comply not only with CAASA but with all their business relationships.

As part of our management process, we conduct periodic evaluations of supply chain management to ensure that the organization's practices are aligned with our values and Code of Ethics.



Learn more about our guidelines and principles of ethical conduct in our **Code of Ethics for Suppliers and Contractors**.

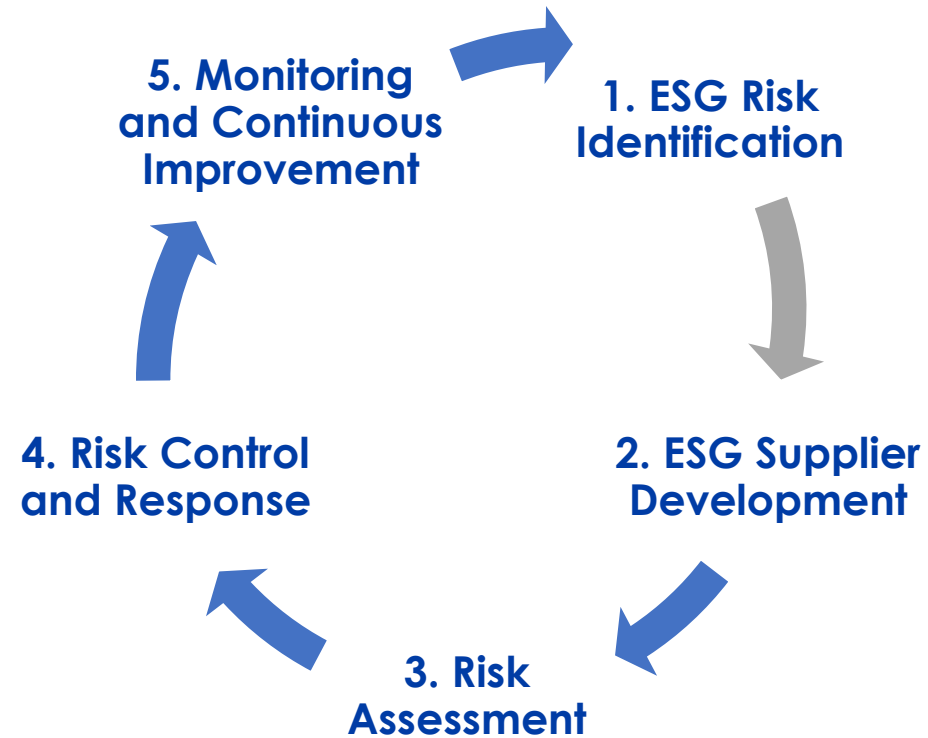


ESG SUPPLIER SYSTEM

ESG Supplier System



We have an **ESG (environmental, social, and governance) Supplier Management System** that includes the following points:



Responsible supply chain



Supplier Categories

CAASA's supplier management is classified into 2 categories based on the nature of the goods or services they provide:

- **Strategic Purchases:** Purchase raw materials (scrap and pig iron), strategic inputs (limestone, lime, and anthracite), and finished and semi-finished products that are directly part of the company's value chain.
- **Corporate Purchases:** Purchase spare parts, supplies, and other inputs (such as electrodes and ferroalloys), fixed assets, and services for the entirety of the company's operations.

Our Indicators

Topic	2023
Total number of suppliers	2,049
Total number of significant suppliers	800
% of total expenditure on significant suppliers	Corporate Purchases: USD 64.6 million (11%) Strategic Purchases: USD 546 million (89%) Total area expenditure: 84.92%

A photograph of an industrial site at dusk or dawn, overlaid with a blue gradient. In the foreground, a large excavator with a long arm is positioned on a pile of debris. In the background, there is a large industrial building with a sign that reads "PLANTA FRAGMENTADORA". Two tall, lattice-structured towers with lights at the top are also visible. The sky is a mix of blue and orange.

1. ESG Risk Identification

ESG Risk Identification



**Integrated Risk and Opportunity Management Methodology (GIRO)

The GIRO methodology provides guidelines and tools for anticipating and managing our risks with an ESG approach, aligning with business and process objectives, to prepare us for unexpected situations.

The main risks associated with supplier evaluation are linked to the following issues:

- Low availability, quality, and fluctuations in the price of recycled steel.
- Non-compliance with safety, health, or environmental requirements and procedures by contractors and service providers working on company premises.
- Contingencies related to money laundering or terrorism financing, or purchases from suppliers involved in related crimes (bribery, collusion, or any other unethical conduct).



Learn more about our analysis and evaluation of strategic and emerging risks in our supply chain in the 2023-2024 Corporate Risk Report.

ESG Risk Identification



As a result of our risk identification process, we have developed the following management tools for Corporate Purchases and Strategic Purchases:

Corporate Purchases

1. Corporate Purchases Risk Matrix
2. Supplier Performance Evaluation Risk Matrix

The identified risks can be classified into the following categories:

- Operational Risks
- Compliance Risks
- Ethical Compliance Risks related to Human Rights

In the image, you will see some of the risks identified in each category.

Tipo de Riesgo	Subtipo de Riesgo	Riesgo	Descripción del Riesgo
B. Operativo	B3: Eficiencia y eficacia de los procesos (simplificación de procesos, tiempos de espera, sobre calidad, etc.)	Que no se logre capturar la oportunidad económica de mercado y reprocesos, debido a una falta de definición de estrategia de compras de los requerimientos	Que no se logre capturar la oportunidad económica de mercado y reprocesos, debido a una falta de definición de estrategia de compras de los requerimientos
D. Cumplimiento	D3: Eventos de corrupción y fraude (externos e internos)	Que se presenten eventos de fraude, debido a colusión entre el comprador y el proveedor (filtrar información a proveedores de costos históricos, competencia, manipulación de matrices de evaluación, fraccionamiento de compras, entre otros)	Que se presenten eventos de fraude, debido a colusión entre el comprador y el proveedor (filtrar información a proveedores de costos históricos, competencia, manipulación de matrices de evaluación, fraccionamiento de compras, entre otros)
E. Cumplimiento Ético de Derechos Humanos	E4: Condiciones laborales	Que los proveedores o contratistas vulneren los derechos de los trabajadores por incumplimiento del pago de remuneraciones o beneficios sociales, debido a no respetar los montos y beneficios de ley según contrato o por mantener un acuerdo de trabajo de manera informal con sus trabajadores.	Que los proveedores o contratistas vulneren los derechos de los trabajadores por incumplimiento del pago de remuneraciones o beneficios sociales, debido a no respetar los montos y beneficios de ley según contrato o por mantener un acuerdo de trabajo de manera informal con sus trabajadores. DDHH Relacionados: Derecho a un nivel de vida adecuado que asegure alimentación y vivienda. Derecho a un trabajo digno y libre Derecho a la seguridad social.

ESG Risk Identification



As a result of our risk identification process, we have developed the following management tools for Corporate Purchases and Strategic Purchases:

Strategic Purchases

- Scrap Purchase Risk Matrix
- Strategic Inputs Purchase Risk Matrix
- Bidding Risk Matrix
- Contract Management Risk Matrix

The identified risks can be classified into the following categories:

- Compliance Risks
- Ethical Compliance Risks related to Human Rights

In the image, you will see some of the risks identified in each category.

Tipo de Riesgo	Subtipo de Riesgo	Riesgo	Descripción del Riesgo
E. Cumplimiento Ético de Derechos Humanos	E4: Condiciones laborales	Que los proveedores de materia prima ferrosa vulneren los derechos de los trabajadores por condiciones de trabajo inadecuadas, informales, sin beneficios y/o con presencia de menores de edad, debido a la falta de principios éticos de derechos humanos por parte del proveedor	Que los proveedores de materia prima ferrosa vulneren los derechos de los trabajadores por condiciones de trabajo inadecuadas, informales, sin beneficios y/o con presencia de menores de edad, debido a la falta de principios éticos de derechos humanos por parte del proveedor. DDHH relacionados: Derecho a un trabajo decente.
D. Cumplimiento	D3: Eventos de corrupción y fraude (externos e internos)	Que se generen contingencias regulatorias y legales, debido a compras de materia prima ferrosa a proveedores comercializadores o generadores que tienen vinculación con lavado de activos o el financiamiento del terrorismo, o que se encuentren sancionados por el Consejo de Seguridad de las Naciones Unidas	Que se generen contingencias regulatorias y legales, debido a compras de materia prima ferrosa a proveedores comercializadores o generadores que tienen vinculación con lavado de activos o el financiamiento del terrorismo, o que se encuentren sancionados por el Consejo de Seguridad de las Naciones Unidas.
E. Cumplimiento Ético de Derechos Humanos	E15: Trabajo infantil	Que los proveedores vulneren los derechos de los niños o menores de edad, por generar su participación en actividades productivas, debido a la falta de principios éticos de derechos humanos por parte de nuestros proveedores. DDHH relacionados: Derechos del Niño, Derecho a la vida y la integridad personal.	Que los proveedores vulneren los derechos de los niños o menores de edad, por generar su participación en actividades productivas, debido a la falta de principios éticos de derechos humanos por parte de nuestros proveedores. DDHH relacionados: Derechos del Niño, Derecho a la vida y la integridad personal.

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2. Supplier Development

ESG Supplier Development



We are committed to the sustainable development of our suppliers, promoting the adoption of ESG criteria as part of their management strategy..



Reduction of carbon footprint

To generate efficiencies across the production chain, we invest in strategies that reduce our carbon footprint and production costs.

- In corporate purchases, we prioritize the acquisition of environmentally friendly products.
- We also focus on developing suppliers in Ica and Pisco to ensure the availability of products for sale through integrated purchase planning with various departments and sustainable supplier management.



Digitization

We aim to promote accessibility and transparency by creating spaces that facilitate communication with our current and potential suppliers.

- **Sourcing:** Implementation of digital platforms to optimize procurement and supply management.
- **Supplier Portal:** An internal portal where all suppliers can access important documents or information related to their service or internal management.



Responsible Financing

Development of the "Supplier Factoring" program in partnership with BCP, to facilitate access to short-term liquidity without impacting the working capital of their operations.

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Benefited suppliers

We contribute to the development of our suppliers

 **2,049**
suppliers

 **92.33 millions**
\$/ in local purchases

Supplier Portal



COMUNICADO

A todos nuestros proveedores, a partir del 04 de enero del 2023 podrán enviar sus facturas desde el **Portal de Proveedores CAASA**.

Próximamente, compartiremos el cronograma de capacitaciones por sector o grupo de servicios.

Haz Clic [Aquí](#) para ver el video.

¡Conoce más del **Portal de Proveedores CAASA!**

Te presentamos el módulo "Mis citas", una nueva funcionalidad para automatizar y agilizar el proceso de agendamiento de citas a proveedores, en nuestros almacenes de Callao Central. Entérate más a través del siguiente instructivo:

Proceso de agendamiento de citas mediante el Portal de proveedores

Haz [clic aquí](#) para ver el video



Comunicación interna
Teléfono: (51) (1) 517-1800 Anexo 3753

<http://www.youtube.com/@programadeaprendizajedemej7278>

PORTAL DE PROVEEDORES

¡Conoce más del **Portal de Proveedores CAASA!**

*The supplier portal is an open space for all CAASA suppliers, except for suppliers of finished products..

Strengthening ESG Criteria



The video player interface shows the YouTube logo in the top left, a search bar, and a microphone icon. The video title is "CONSTRUYAMOS UNA CADENA DE SUMINISTROS RESPONSABLE" and the channel is "ACEROS AREQUIPA". The video content displays a large blue industrial building with a long facade, and a line of white trucks parked in front of it. The video player controls show a progress bar at 0:08 / 3:23, and various icons for play, volume, full screen, and settings. Below the video, there is a description in Spanish: "¡Descubre cómo valoramos la importancia, los temas ambientales, sociales y de gobernanza (ASG)!" and the channel information: "ACEROS AREQUIPA 18.9K subscribers". There are also icons for likes (3), shares, download, clip, and save.

At CAASA, we value and actively promote ESG (environmental, social, and governance) issues among our suppliers to create a positive impact on our operations and value chain.

To this end, we have developed audiovisual materials on the importance of ESG management.

<https://www.youtube.com/watch?v=AASFliWxT8c>

A photograph of an industrial waste processing plant at dusk, with a blue color overlay. The scene shows a large pile of waste in the foreground, a conveyor belt system, and a tall structure with a sign that reads "PLANTA FRAGMENTADORA". Two tall towers with lights are visible in the background.

3. ESG Risk Assessment

Evaluación de riesgos



This comprehensive process includes evaluating the company in terms of environmental, social, governance, and business relevance aspects, not only during the selection period but also throughout the service delivery.

	Corporate Purchasing	Strategic purchasing
Supplier Selection	Pre-employment evaluation in Safety, Health and Environment factors	Pre-assessment for contracting strategic input suppliers. Requirements requested for the registration of national scrap suppliers.
Supplier Performance Evaluation and Monitoring	Ongoing assessment of ESG criteria considering economic aspects, business performance, technical evaluation, and compliance with Safety, Health, and Environmental standards.	

Corporate Purchasing



Phases of supplier evaluation

Supplier evaluation is divided into the following phases:

	Supplier selection	Ongoing performance evaluation	
		Follow-up	Annual
Evaluating price behavior: <ul style="list-style-type: none"> Comparative table 	X	X	X
Financial and Commercial Evaluation: <ul style="list-style-type: none"> Status/Contribution (SUNAT registration certificate) Cover letter Debt level/credit capacity (Sentinel, Infocorp)) 	X		
OSH and MA Assessment: <ul style="list-style-type: none"> Compliance with CAASA OSH and MA Guidelines 	X	X	X
Technical evaluation <ul style="list-style-type: none"> Samples (chemical analysis) 	X	X	X
Compliance assessment: <ul style="list-style-type: none"> Compliance with the requirement in the agreed quantities and deadlines. 		X	X

Corporate Purchasing



Supplier selection

For Corporate Procurement suppliers, we carry out a pre-contractual supplier assessment, in which environmental, social (health and safety), governance and business relevance factors are analysed, not only during the selection period, but also during the delivery of the service.

BUSINESS RELEVANCE EVALUATION



ADDITIONAL CHECKS

In addition, other evaluations are carried out, such as the following:

- Cumplo 360 Report for verifying corruption and ML/AFT records.
- **Sentinel Report** for evaluating credit history and prevention of risks associated with unethical conduct and non-compliance with SST or environmental requirements and procedures.
- In the service bidding processes, SSO and environmental aspects are evaluated within the selection matrix.

Corporate Purchasing



Ongoing performance evaluation

The ongoing evaluation of the supplier's performance will be carried out taking into account the following aspects:

PERMANENT MONITORING

1

Economic evaluation

Considering the category and business context, applying the same criteria as in the Selection Phase.

2

Commercial and financial evaluation

Evaluation of the coefficient of compliance with delivery times for materials and services.

3

Technical evaluation

Evaluation of the coefficient of technical compliance with specifications / reliability / inspection results or service execution.

4

Evaluation of the SSO and MA system

We require that suppliers who provide services and products in our operations comply with occupational health, safety and environmental standards in their activities. This requirement is based on our purchasing and services policy, corporate purchasing instructions and the rigorous evaluation of strategic input suppliers.

ANNUAL EVALUATION

Through a mathematical formula, the evaluation criteria of the suppliers are weighted, according to the type of service offered: goods or services

- The evaluation of goods considers the level of technical compliance of the warehouse team's returns report and compliance with delivery times.
- The service is evaluated directly by the user/administrator of the service, the Environmental and Industrial Safety compliance are evaluated by the Environment and Industrial Safety areas respectively; and the commercial part by the purchasing area.

Strategic purchasing



Supplier Evaluation

Due to the capabilities and organizational context of strategic purchasing providers, the following verifications are carried out for the supplier selection process:

- Cumpro 360 Report for verification of corruption and LAFT records. If this verification is not approved due to being on an internationally restrictive list, the supplier's registration will be immediately rejected. If other types of observations are presented, the case will be evaluated before starting a business relationship.
- This verification is also carried out annually for already registered suppliers, in order to validate that they have not presented observations in the last year.
- Depending on the type of supplier, compliance and signature of the following documents is requested:
 - Responsibility Declaration
 - Anti-corruption and money laundering prevention and crimes related to illegal mining and organized crime Affidavit
 - Conflict of interest declaration
 - Among others



4. Risk control and response

Risk control and response



Corporate Purchasing

In the annual evaluation process the supplier is rated as follows:

Qualification		Condition
From 70 to 100	Well	Recommended/acceptable supplier
From 50 to 69	Regular*	Supplier under observation
From 0 to 49	Bad*	Supplier not recommended

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**suppliers evaluated
in 2023**

*Suppliers with a Regular and Poor rating will enter a monitoring phase with a period of 6-12 months, depending on the complexity of the service, until they manage to correct the observations. If the improvement plan is not implemented and the observations are not corrected within the estimated time, the company will be removed from the CAASA supplier list.

Short term objective : In order to support the improvement of our suppliers' performance in the delivery of their services, during 2024 we have taken on the challenge of evaluating 79 suppliers based on their performance in 2023.

Risk control and response



Strategic purchasing

Visits to suppliers: During these visits, we carry out assessments to verify key aspects of the premises, ensuring that suppliers have adequate and operational facilities. We also assess compliance with legal regulations.

In addition to these checks, we carry out visits with the aim of:

- **CAASA loyalty and presence:** We strengthen our business relationships through loyalty and good relations with our key suppliers.
- **Evaluation of scrap availability:** We ensure that suppliers have sufficient availability of raw materials.
- **Collection of market information:** We obtain relevant market information to adjust our strategies and remain competitive.



5. Monitoring and continuous improvement

Monitoring and continuous improvement



Corporate Purchasing

The following strategies are applied to monitor performance and encourage continuous improvement for corporate purchasing suppliers:

- 1** Periodic evaluation of suppliers and contractors by the established procedure, where a score is assigned for each of the segments (Service, Environmental Compliance, SSO Compliance, Commercial). The final result allows us to establish action plans and corrective measures to improve your score.
- 2** Definition of action plans that we work on in annual periods, but with constant monitoring, to close gaps in the evaluated segments and also seek to have these suppliers improve their ESG, legal, and operational management.
- 3** Suppliers who successfully comply with their action plans are evaluated again to ensure they meet the required score to be eligible to contract with CAASA.



**ACEROS
AREQUIPA**