



FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR REPORT 2023



FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR REPORT 2023

I. Introduction

Sierra Metals Inc. (“Sierra Metals”, the “Company”, the “Corporation”, “we” or “us”) has prepared this Fighting Against Forced Labour and Child Labour in Supply Chains Report (the “Report”) in accordance with Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (S.C. 2023) (the “Act”) for the financial year ended December 31, 2023. This is a joint report made on behalf of the Company and the following entities which we have determined are reporting entities under the Act, for the reporting period (the “Reporting Entities”) ^{1,2}:

Reporting Entity	Existing under the Laws of	Principal Business
Sierra Metals Inc.	Canada	Parent Company. Sierra Metals operates as a mid-tier copper producer with precious and base metal by-products.
Dia Bras Mexicana S.A. de C.V.	Mexico	Mining. Operates “Bolivar” and “Cusi” mines in Mexico.
Servicios de Producción y Extracción Minera Chihuahua. S.A. de C.V.	Mexico	Mining.
Exmin S.A. de C.V.	Mexico	Mining. Operates “Bolivar” and “Cusi” mines in Mexico.
Dia Bras Exmin Resources Inc.	Canada	Mining.
Dia Bras Perú S.A.C.	Peru	Holding Company. Holding company of shares, participations, and transferable securities in general.
Sociedad Minera Corona S.A.	Peru	Mining. Operates “Yauricocha” mine in Peru.

This Report describes the steps taken by Sierra Metals and its Reporting Entities during the previous financial year to assess and address the Company’s risks with respect to forced labour and child labour (Modern Slavery Risks).

II. Steps to prevent and reduce risks of forced labour and child labour

Sierra Metals and the Reporting Entities are committed to protecting human rights globally and to providing a fair and ethical workplace. We respect and are in the process of incorporating the standards from the United Nations embodied in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and the United Nations Declaration on the Rights of Indigenous Peoples. We are committed to engaging in employment practices that meet all ethical and legal standards, including laws and regulations related to forced labour and child labour, throughout our operations and expect the same of our business partners.

We are in the process of mapping and assessing our existing corporate policies and strategies and will be amending our policies as necessary to help prevent and reduce the risk of forced labour and child labour being used in our business operations or supply chains. Our policies and strategies are applied globally and are mandatory for each Reporting Entity.

¹ This Report has not been externally assured.

² Sierra Metals has prepared this Report based on information available to it at the time of preparation. This Report contains forward-looking statements relating Sierra Metals’ policies and practices with respect to modern slavery risk management, including statements of current intention and expectation and statements of opinion. There can be no assurance that such statements will prove to be accurate, as Sierra Metals’ actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed in the “Risk Factors” section in Sierra Metals’ Annual Information Form dated March 15, 2024, which is available at www.sierrametals.com or on SEDAR+. Except as required by applicable laws or regulations, Sierra Metals does not undertake to publicly update or review any forward-looking statements.

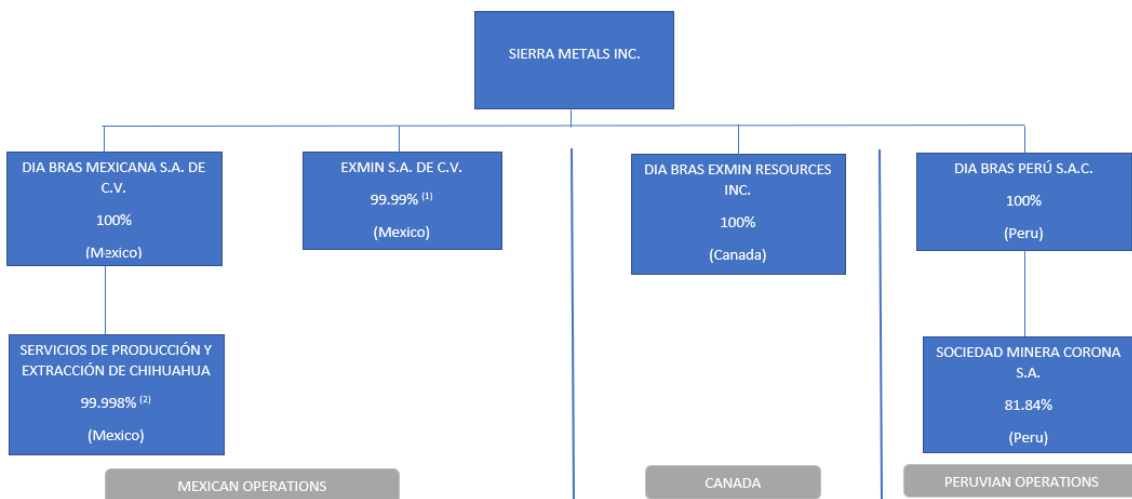


III. Structure, Activities, and Supply Chains

Sierra Metals Corporate Structure:

Sierra Metals is incorporated under the Canada Business Corporation Act. Our shares are listed on the Toronto Stock Exchange. Sierra Metals maintains headquarters in Toronto, Canada. The governance structure ensures adherence to the Act, with oversight bodies and reporting mechanisms in place. The Corporation's supply chain encompasses Canada, Mexico, and Peru, with localized procurement procedures subject to legal and financial oversight.

The following diagram depicts the corporate structure, including the Reporting Entities in Mexico and Peru:



- 1) Dia Bras Mexicana S.A. de C.V. holds the remaining ownership percentage.
- 2) Exmin S.A. de C.V. holds the remaining ownership percentage.
- 3) Dia Bras Exmin Resources Inc. is not operating and currently has no activities.

As at December 31, 2023, the Company and its subsidiaries had 634 employees in Peru, 520 employees in Mexico, and 2 employees in Canada.

The Company's corporate structure has been designed to ensure that the Company controls, and/or has a measure of direct oversight over the operations of its subsidiaries (Reporting Entities). The Company, as the ultimate shareholder, has internal policies and systems in place which provide it with visibility into the operations of its subsidiaries, including those operating in emerging markets. The Company's management team is also responsible for monitoring the activities of Reporting Entities.

Sierra Metals is a mid-tier copper producer with operations in Latin America (Peru and Mexico). Some key points about our business activities are:

1. Diversified Production: Sierra Metals produces copper, zinc, and other base metals. The Company also has precious metals credits (gold, silver).
2. Operating Jurisdictions: We operate in well-known and established mining jurisdictions in Latin America: with two main operations: in Peru (Yauricocha mine) and Mexico (Bolivar Mine).
3. Financial Performance: The Company has successfully strengthened its balance sheet position and enhanced its operational performance consistency through thorough capital investments and corporate restructuring.



Our Supply Chain Structure:

Sierra Metal's global supply chain consists of procurement of products (fuel, construction and other materials, diverse equipment, among others) and services (nourishment, camp services, transportation, security, among others), to support our exploration, mining, processing, transportation and sustainability activities. Most of these procurements are made by our Reporting Entities locally.

All the procurement procedures are managed and supervised by each Supply Chain Department, based at the correspondent Reporting Entity (Canada, Peru, or Mexico), with legal and financial oversight from Sierra Metals. These procedures are standardized in each country, according to each country's laws. The corporate policies are established by Sierra Metals, taking into consideration also local regulations related to forced labour and child labour.

IV. Policies, Governance and Due Diligence processes

- **Code of Business Conduct & Ethics**

The Company has adopted a **Code of Business Conduct & Ethics** (the "Code") to assist all employees, officers, directors, agents and contractors of the Corporation (Representative) to maintain the highest standards of ethical conduct in corporate affairs. The Company expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Code.

The Code recognizes that a variety of laws apply to the Company and its operations. It is the Company's policy to comply with all applicable laws, including employment, discrimination, intimidation, harassment, health, safety, competition, securities, banking and environmental laws. No Sierra Metals Representative has the authority to violate any law or to direct another Sierra Metals Representative or other person to violate any law on behalf of the Company. The Company, its employees, officers, directors, agents, and contractors are required to comply with labour regulations that prohibit forced labour and child labour.

The Code also states that the Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples of conduct that will not be tolerated include but are not limited to: derogatory comments based on race, gender, age, marital status, ethnicity, sexual orientation, disability, religious beliefs, or on the basis of any other personal characteristics protected by law, as well as unwelcome sexual advances or comments towards any employee of the Company. Sierra Metals Representatives are entitled to freedom from all forms of personal harassment, whether verbal, physical or visual.

Sierra Metals Representatives must promote and maintain an environment that encourages personal respect and mutual trust. These same Representatives are encouraged to speak out when a co-worker's conduct makes them uncomfortable and to report harassment when it occurs.

The Company strives to provide each Sierra Metals Representative and employee with a safe and healthy work environment. Each of our Representatives has responsibility for maintaining a safe and healthy workplace for all of the Company's Representatives and employees by following safety and health rules and practices, and promptly reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behaviour will not be tolerated by the Company or its Reporting Entities.

The Board and/or appropriate Committee or Senior Executive Officers determine what remedial steps, if any, are required where there has been a violation of the Code.

A copy of the Code of Business Conduct & Ethics is available on the Corporation's website at www.sierrametals.com.



- **Internal and external mechanisms for reporting and addressing non-compliance issues.**

Sierra Metals has a Whistleblower Policy to assist employees, officers and directors of the Company to report actual or suspected violations of the Code. The Whistleblower Policy outlines the process for reporting an ethical concern and the investigation process for all whistleblower reports and confirms the Company's commitment to employee protection. Concerns can be raised by individuals through the process on a confidential and anonymous basis.

Sierra Metals Representatives who observe, learn of, or, in good faith, suspect of any violation of the Code, must immediately report it pursuant to the procedures for submission of complaints and concerns set out in the Company's Whistleblower Policy.

Sierra Metals Representatives must submit any good faith complaints or concerns regarding questionable treatment or alleged violations with respect to Whistleblowing Matters (as defined in the Company's Whistleblower Policy).

The Company's Representatives may also contact the Chair of the Audit Committee with a question or concern about the Code, accounting or auditing matters or a business practice. Any questions or reports of violations will be addressed immediately and seriously according to the internal procedure.

The Company has hired an independent third party "Whistle Blower Security" to manage all the complaints received.

There are five ways to submit a complaint: 1) filing a report online; 2) calling the toll-free phone number; 3) submitting an email; 4) sending a letter; or 5) requesting an interview to the independent third party. These services are all provided in English and Spanish. All reports generated by the service are transmitted to the Internal Auditor, with a copy to the General Counsel (Compliance Officer). Reports involving the Internal Auditor, the General Counsel, or Senior Management are also copied to the Chair of the Audit Committee. All reports are presented to the Audit Committee every quarter, including claims and results.

Retaliation against any Sierra Metals Representative who in good faith reports a concern about any illegal or unethical conduct, will not be tolerated. Any Sierra Metals Representative who withholds information during the course of an investigation, regarding a possible violation of the Code, is subject to a disciplinary action, which could include termination where warranted.

The Company's Sustainability Policy contemplates that the Company ensures the development of and access to mechanisms that allow those residing in the surrounding communities of our Company or its Reporting Entities, to express their concerns, and also addressing those concerns pre-emptively and ensuring they are properly addressed. The mechanisms used for this purpose include the Permanent Information Offices ("*Oficinas de Información Permanente*") for Peru, which channel all the concerns and questions of the populations living in the surrounding areas of our Company or its Reporting Entities. Another mechanism is the continuous monitoring carried out by our Community Relations departments in both Peru and Mexico, ensuring the maintenance of good relations between the company and the surrounding communities.

- **Other policies that address issues related to forced labour or child labour**

We have implemented employment practices to ensure that our employees do not face any exploitative treatment such as slavery, forced labour, or servitude. These employment practices include, among others:

- Our entry level minimum salary is above the legal minimum salary established for the mining sector in both countries where our Reporting Entities are (Peru and Mexico).
- Working hours are within the legal approved work shifts and overtime within the limits stipulated by the local Reporting Entities' corresponding laws (Peru and Mexico).
- We do not hire individuals below the age of 18.

We ensure that these employment practices are also applied to the employees of the contracting companies and suppliers' companies we work with in our mining operations in Peru and Mexico. In addition, our suppliers are required to commit to the Code and our corporate policies, locally and globally. All our



contractors and suppliers' contracts have general clauses requiring compliance with all laws, rules and regulations, including the Code,

V. Assessing and managing our risk

As described below under "Our Plan for 2024", we are in the process of further assessing the risks of forced labour and child labour in our supply chains. The main risk of the use of forced labour or child labour is related to the local service suppliers in the Reporting Entities' countries.

We are also currently working on implementing new practices, standards and policies to further mitigate the risk of the use of forced labour or child labour in our operations and/or in our supply chains.

We are in the process of implementing in our global policies appropriate audit procedures for our suppliers or contractors to further mitigate the risk of forced labour or child labour being used in the supply chains of our suppliers and contractors.

VI. Remediation measures

Sierra Metals is committed to providing remediation for any confirmed cases of forced or child labour in its operations and supply chains. If Sierra Metals determines that it has caused or contributed to any instance of forced labour or child labour, we will work with the impacted parties to take appropriate remediation measures.

During the reporting period, we did not identify any incidents or allegations of forced labour or child labour, and we are not aware of circumstances where our actions may have impacted vulnerable families' income. Consequently, we did not need to implement measures to remediate such practices or the loss of income resulting from eliminating such practices.

VII. Training:

Our employees receive regular training programs on our Code. In addition, we require that every employee reads and completes our Annual Compliance Declaration. For year 2023, 98% of our employees globally completed this Declaration.

In 2024, we are reviewing and developing additional training programs and materials related to forced labour and child labour which will be applicable for those employees that require such training, including new employees during their recruitment process.

VIII. Assessing Effectiveness

As described below under "Our Plan for 2024", we are continuing to develop and implement our program to prevent and reduce the risk of forced labour and child labour in our activities and supply chains. We will be implementing corresponding measures to assess the effectiveness of these processes.

IX. Our Plan for 2024

During 2024, the company:

- will develop the risk assessment framework and assess further the exposure of its supply chains to forced and child labour. The framework is expected to qualify the suppliers as high, medium, or low risk exposure, and inform our priority actions and the necessary controls.





- will implement a new onboarding process for vendors and suppliers that will include additional due diligence related to human rights violations, corruption, forced and child labour, and other compliance matters.

Sierra Metals remains committed to ethical practices, emphasizing continuous improvement and transparency in combating forced and child labour in its supply chains. By working collaboratively with stakeholders and aligning with international standards, the Company aims to ensure a fair and ethical workplace where human rights are upheld.

X. APPROVAL AND ATTESTATION

This Report was approved by the Board of Directors of Sierra Metals on May 30th, 2024, on behalf of itself and the Company's Reporting Entities pursuant to subsection 11(4)(b)(ii). In my capacity as a Director of Sierra Metals and not in my personal capacity, I make this attestation in accordance with the requirements of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above

I have authority to bind Sierra Metals Inc. and the Reporting Entities.

Name: Ernesto Balarezo

Title: CEO - Director

Date: May 30, 2024

Signature:

A handwritten signature in black ink, appearing to read "EB", written over a light blue horizontal line.

A handwritten mark or signature in black ink, consisting of a large, stylized loop or flourish, located on the left side of the page.