



2019 report on due diligence activities for Chemaf's copper and cobalt supply chain

V1.0 – February 2020

Established in 2001, Chemaf is a business specialised in mineral exploration, mining and processing of cobalt and copper in the Democratic Republic of the Congo (DRC). We recognise the potential for adverse social and environmental impacts to be associated with the extraction and processing of copper and cobalt. We are therefore committed to ensure that the material we extract at our mine sites and process at our Etoile and Usoke plants is produced responsibly and in line with international market expectations.

Management systems

Our approach to responsible sourcing is based on the 'OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' (OECD Guidance). Over the course of 2019, we have adopted a Responsible Minerals Sourcing policy (available on our website) in line with Annex II of the OECD Guidance and developed internal procedures for supply chain due diligence.

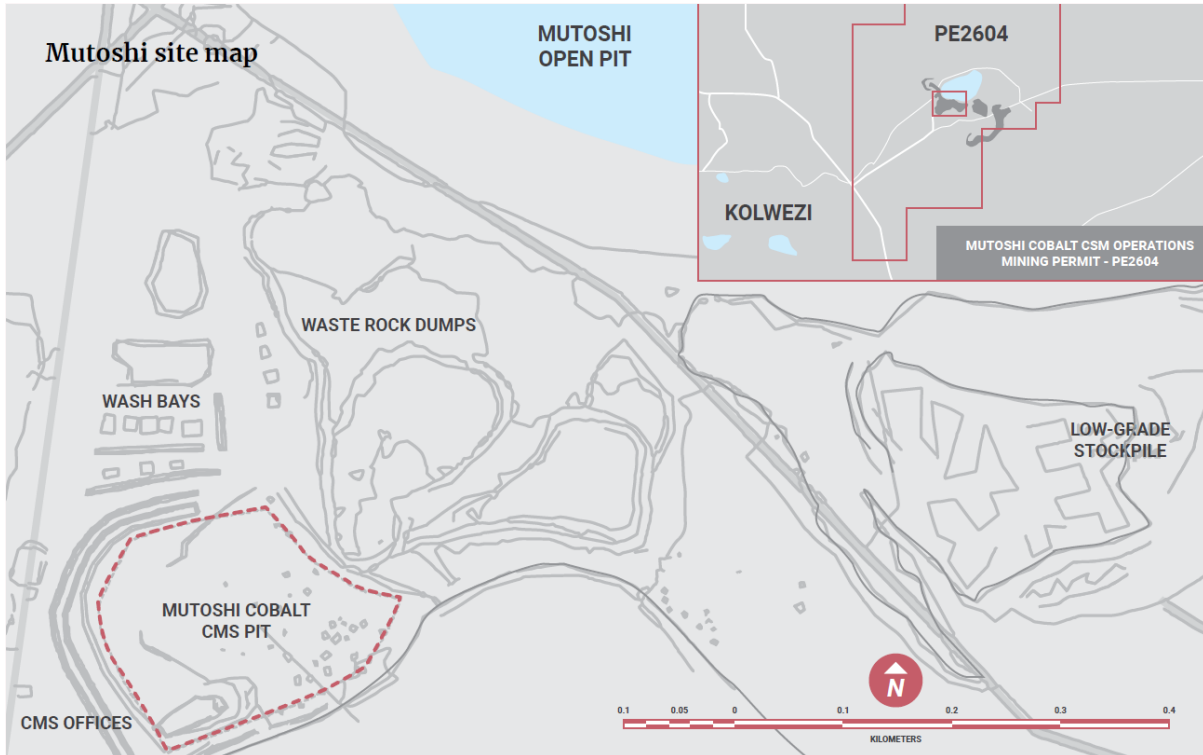
Due diligence activities are actively supported by Chemaf's leadership and senior management, including Chemaf's Chairman, Chief Financial Officer, and Business Development General Manager, and implemented by management teams responsible for overseeing health, safety, environment, community relations, geology, technical services, production, and commercial activities within the company.

Chemaf is committed to developing a robust and responsible business by working alongside upstream and downstream partners, regulators, the DRC government and non-governmental organisations to ensure our social and environmental impacts are managed, and opportunities for local communities are leveraged.

In early 2018, we initiated exploration activities and the development of an industrial cobalt mine and processing plant at our Mutoshi concession near Kolwezi. Given the presence of artisanal and small-scale miners (ASM) on site prior to start of site development works, we were faced with a choice between displacing ASM workers or working alongside these workers and integrating ASM production into our supply chain. Rather than creating a situation of potential conflict and exclusion, we saw an opportunity to collaborate with ASM workers and to contribute to the formalisation of local ASM communities. Following a selection process in which we received over five applications from local ASM co-operatives, COMIAKOL was duly appointed as Chemaf's formalisation partner.

With comprehensive support from SAEMAPE, the DRC government agency responsible for regulating ASM activities, we have established a semi-mechanised small-scale artisanal mining project.

Since its inception, activities at the Mutoshi project have been strongly focused on the implementation of international standards for responsible ASM production and the requirements of our commercial partners.



Risk assessment

We source copper and cobalt ores from our own mining operations. These include the Etoile concession in Lubumbashi, which provides a combination of copper and cobalt ore, and Mutoshi in Kolwezi from which we source cobalt.

At our Usoke plant, we sometimes supplement our own sources with ore supplied by third party suppliers in order to meet specific mineral grade requirements and ore quality of our processing operations.

For all third-party suppliers, we are committed to assessing supply chain risks associated with the sourcing of copper and cobalt in line with our “Responsible Minerals Sourcing Policy” and due diligence procedures.

This process includes:

- Know-Your-Supplier checks for third party suppliers;
- On-site risk assessments;
- Implementation of systems for control and traceability of the minerals we receive.

At Mutoshi, our partners and exclusive off-takers of cobalt material sourced from the site, [Trafigura](#), engaged the international NGO [Pact](#) to provide on-the-ground support to implement the requirements of international standards and Trafigura’s ASM expectations. Responsible sourcing advisors [Kumi Consulting](#) were engaged by Trafigura to conduct quarterly independent assessments of the project. In 2019, Chemaf’s operations at the Etoile and Usoke mineral processing plants were also assessed by Kumi. All assessments conducted by Kumi have been shared, discussed and acted-upon at length by project partners. Recommendations stemming from the ongoing assessment of risks provide us with regular feedback on the effectiveness of the risk mitigation measures implemented, enabling us to continuously improve conditions on site.



Some of the most significant risks faced at Mutoshi over the course of 2019 relate to the ongoing health and safety challenges posed by artisanal mining activities. Decreases in cobalt prices have created financial constraints for the project and have led many ASM workers to seek alternative activities in uncontrolled copper and gold mining areas from which Chemaf does not purchase ore and where working conditions pose higher risks for miners.

In 2019, a detailed socio-economic impact assessment of the project was conducted by Sara Johansson de Silva, Tove Strauss and Nene Morisho. Findings of the assessment, which can be downloaded in full ([here](#)) are summarised as follows:

- The project has had significant and positive impacts on productivity of participating ASM workers when they were on site.
- The project has also helped reduce much of ASM workers' operating costs, e.g., transportation of produce to trading places, and eliminated bribes paid to corrupt military and security forces.
- Working conditions of participating ASM workers have been remarkably improved.
- The Mutoshi mine is now a safer, cleaner environment and accessible healthcare services have improved the health of participating ASM workers significantly.
- The project has had a noticeable impact on the local economy, including the creation of new businesses in response to higher demand for goods and services.



- Female ASM workers participating in the project have greater diversity of roles and earn about two and a half times more than their counterparts working in mines outside the project site.

Risk management

To date, our risk assessments have not identified any risks as defined in Annex II of the OECD Guidance risks. We continue to strengthen and roll out our due diligence process across all our operations and those of third-party suppliers where applicable.

At Mutoshi, we recognise the challenges associated with sourcing from ASM operations and continue to support the fulltime engagement of our on-site staff and external partners to mitigate any risks associated with ASM activities. This includes delivering regular training on health and safety for ASM workers to strengthen awareness of risks on site, ensure health and safety measures, such as the use personal protective equipment (PPE), are applied consistently, and risks, hazards or incidents are reported to site management.

Transparency

Over the course of 2019, Chemaf has hosted multiple visits to its facilities by dignitaries. Visits included, for example:

- A visit by the DRC Minister of Mines, his deputy, and the Minister for Infrastructure.
- Multiple visits by Provincial Ministers.
- A Swiss delegation, led by Ambassador Heidi Grau (Head of Human Security) and Ambassador Roger Denzer (Kinshasa Embassy).
- A 'Responsible Minerals Initiative' delegation comprising both existing and potential receivers of Chemaf's product. The party also included two representatives of Amnesty International.
- A delegation from the OECD Responsible Business Unit.

These visits offered our company with an ideal opportunity to display our activities and engage with informed stakeholders on how best we can improve and adapt our operations to meet regional and international demands for responsibly sourced copper and cobalt.

A look ahead

This 2019 responsible sourcing report is the first published by Chemaf and is part of our efforts to ensure our due diligence activities comply with industry requirements. Going forward, we are committed to continually improve our public reporting on supply chain due diligence.