



COBALT REFINER SUPPLY CHAIN DUE DILIGENCE STANDARD

Version 2.0

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A Standard to demonstrate due diligence for cobalt crude and fine refiner supply chain in accordance with the Chinese Due Diligence Guidelines for Minerals Supply Chains and/or OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High-Risk Areas, Edition 3. Developed in collaboration by Responsible Cobalt Initiative (RCI), and Responsible Minerals Initiative (RMI).

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I. INTRODUCTION

This Standard is developed in line with the principals and requirements of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (Chinese Guidelines) and the OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High-Risk Areas (Edition 3) (OECD Guidance). The pilot version of this Standard was jointly prepared by the Responsible Cobalt Initiative (RCI), and the Responsible Minerals Initiative (RMI), and officially released on August 15, 2018.

This Standard (version 2.0) builds on the learnings and implementation of the pilot Standard and clarifies requirements. RMI and RCI recommend that upstream and downstream companies utilize this Standard in their cobalt refiner due diligence and assurance activities and leverage the results of assessments against this Standard to avoid costly duplicative assessments.

This Standard encourages companies to source responsibly from Conflict-Affected and High-Risk Areas (CAHRA), and where relevant, from artisanal and small-scale mineral producers. Procurement responsibilities include due diligence and risk management but may further include engagement with stakeholders in the supply chain to drive positive impact for the local communities that are beyond the actions required under this Standard.

Companies are encouraged to engage with their supply chain actors to identify, assess and mitigate risks associated with CAHRAs. In particular when considering the suspension or discontinuation of a supplier relationship, companies shall take into account the potential socio-economic impacts of disengagement on the livelihoods of mining communities. In particular when sourcing from artisanal and small-scale mining (ASM) companies are encouraged to engage with upstream suppliers for the effective mitigation of risks as well as the provision for remediation where the company has caused or contributed to actual adverse impacts.

This Standard follows the five step framework for risk-based due diligence from the Chinese Due Diligence Guidelines for Minerals Supply Chains (Chinese Guidelines) and the OECD Due Diligence Guidance for Responsible Mineral Supply Chains from Conflict-Affected and High Risk Areas, Edition 3 (OECD Guidance). This Standard includes additional requirements related to effective engagement with local communities (Step 6: Community Participation) for companies located in CAHRAs. This Standard also includes recommendations for managing additional Environmental, Social, and Governance issues, beyond the OECD Guidance.

- Step 1: Establish Strong Company Management Systems
- Step 2: Identify and Assess Risks in the Supply Chain
- Step 3: Design and Implement a Strategy to Respond to Identified Risks
- Step 4: Independent Third-Party Assessment of Company Due Diligence Practices
- Step 5: Report Annually on Supply Chain Due Diligence
- Step 6: Community Participation

Due diligence is a continual, ongoing process to be undertaken by companies and that is expected to improve over time. Companies are expected to monitor the emerging risks and incidents in their supply chains and take these into account for their sourcing activities. Each Company remains fully responsible for the scope and quality of due diligence in their supply chains, for reporting on the due diligence undertaken, and for identifying, assessing, as well as mitigating the risk(s) in their cobalt supply chains. Responsibility for determining the severity of identified risks, as well as the actions in response to such risks rests with the Company's management.

The Company shall use good faith and reasonable efforts in their due diligence and are responsible to adapt the scale and complexity of their due diligence to the level of the identified risks and impacts. Where appropriate, companies may cooperate with other companies or work via an industry program, in particular to share costs for third party assurance and / or on-the-ground assessments of high-risk supply chains.

Steps to establish management systems, conduct risk assessments based on the collection of supply chain information, and report on due diligence shall be implemented by all companies, regardless of the source of their materials. Steps related to the management of risks where red flags are identified are only required to be implemented by companies having identified such warning signs or red flags.

II. SCOPE

This Standard applies to the “Identified Points” in the cobalt supply chain. “Identified Points” can be characterized as:

- Key points of transformation in the supply chain;
- Stages in the supply chain that generally include relatively few actors (companies) that process a majority of the commodity;
- Stages in the supply chain with visibility and control over the mineral production and trade;
- Key points of leverage over mineral production and trade.¹

This Standard is global in scope and cover all applicable risks detailed in the Type 1 risks defined in the Chinese Guidelines or the OECD Guidance, Annex II Model Policy. Due diligence requirements are driven by those risks.

A. Companies within scope of the assessment

It is the responsibility of the Company to provide sufficient evidence for the program to review and confirm that the Company meets the eligibility requirements to participate.

The Standard is applicable to both the “fine refiner” and “crude refiner”. It is noted that one facility may be classified as “crude refiner”, “fine refiner” or “crude and fine refiner”. Furthermore, cobalt crude refiners may be vertically integrated with cobalt mining operations.

The fine refiner is viewed as the Identified Point in the cobalt supply chain and shall undergo the Independent Third-Party Assessment of Company Due Diligence Practices as per Step 4 of OECD Guidance.

As the crude refiner also plays an essential role for upstream supply chain due diligence, the crude refiner is strongly encouraged to undergo the Independent Third-Party Assessment of Company Due Diligence Practices, to obtain validation of their own due diligence practices and support their customers’ due diligence requirements.

¹ OECD Guidance (2018) and Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, Section VII.7.4. p.30

Crude Refiner

An entity that processes cobalt ore or concentrates to a crude intermediate cobalt product that requires further processing prior to its use in a downstream manufacturing process.

Fine Refiner

An entity that processes cobalt concentrates, intermediates or recycled feed and produces crude or refined cobalt products or a cobalt product for direct use in a downstream manufacturing process.

All fully operational companies meeting the definitions above are included within the scope of this Standard. For companies that operate multiple facilities that meet the definition of a Cobalt Refiner, all such facilities will be subject to this assessment. Conformance with this Standard is determined at the level of the individual refiner facility or site.

Refer to Appendix IV for further information on the types of cobalt products and their use in downstream manufacturing processes.

B. Companies not in scope of the assessment

For the purpose of this Standard, the following companies are **not** considered to meet the definition of “cobalt refiner” and are not in scope for this assessment. **This is not an exhaustive list.**

Trading companies

Companies trading in materials where the material traded is in the same chemical and physical state as received.

Material recovery companies

A company with one or more facilities with the ability to mechanically but not thermally or chemically process secondary materials using means such as shearing, cutting, sawing, shredding, briquetting/compacting, shot/sand blasting (wheel abrade and pneumatic) and machining.

C. Materials within scope of the assessment

All material intended for production of cobalt metal, products, or intermediates physically received, held, and/or processed during the audit period, regardless of origin or in-country storage location and type, are included in the assurance process.

Materials in inventory that have been physically received prior to the current assessment period are in scope of the assessment solely for the purpose of the reconciliation of material inputs and outputs over time but do not require the identification of the point of origin.

All material sent to or received from a third party (including a Fine Refiner or Crude Refiner) for processing under a tolling or sub-contracting agreement during the assessment period will be considered part of the Company's receipts and production, and therefore are included in the assessment scope.

For multi-metal producers, only those materials containing sufficient cobalt for commercial valuation based on cobalt content are required to be included in the scope of the assessment. Materials that contain minimal amounts of cobalt, and which have no market value attributable to cobalt content, are not required to be included in this assessment scope.

III. DISCLAIMER

This Standard follows the ISO 19011 auditing standard in conducting an independent third-party assessment. Auditors shall follow reasonable procedures to assess the Company's management system, taking into consideration materiality as well as the quality and quantity of the evidence available. At a minimum, auditor must fulfill the qualification requirements defined by the program.

Assessments against this Standard determines whether the Company's due diligence and risk assessment are in conformance with the Chinese Guidelines or the OECD Guidance. The assessment will not determine that material at the Company is free of severe social, environmental and governance impacts. This is not a material certification assessment. Documentary evidence may be sampled by the auditor. The sampling shall be representative and may be increased or decreased by the auditor to gather sufficient evidence to reasonably allow for inference about the conformity of the whole population.

This Standard strives to align with both the Chinese Guidelines and OECD Guidance. **The Company may follow either the Chinese Guidelines or the OECD Guidance for their due diligence system** and must follow all applicable articles of the chosen Guidance.

IV. CROSS-RECOGNITION

In some cases, the RCI and RMI may evaluate cross-recognition of other independent third-party assessment programs and processes, and recognize these other programs and processes as meeting the standards set forth in this document.

V. CONFORMANCE REQUIREMENTS

In accordance with the OECD Guidance, due diligence is an on-going, proactive and reactive process, and therefore information may be collected and progressively built with the quality progressively improved². The program incorporates the concept of continuous improvement across all its activities. For conformance with this Standard, the Company shall conform, in all material aspects, with all applicable requirements outlined in Section V of this Standard. Companies are expected to improve due diligence over time, including, but not limited to, the progressive implementation of all elements of Appendix I of this Standard. Due diligence shall respect legal requirements in the cobalt-producing country to ensure applicable requirements are fully adhered to.

A. Step 1: Establish Strong Company Management Systems

1. Supply Chain Policy

The Company shall adopt a supply chain policy that is consistent with the standards provided in one of the following documents:

- 1) Chinese Guidelines Annex: Model Supply Chain Policy (Type I risks);
- 2) OECD Guidance, Annex II Model Policy.

The supply chain policy shall set out a clear and coherent management process for risk management and commit the Company to the due diligence steps defined by the Chinese Guidelines or OECD Guidance for cobalt supply chains. The supply chain policy shall:

- Apply to the Company and its suppliers;
- Define the principles and standards for identifying and managing risks in the cobalt supply chain;
- Address the risks included in the Model Policy of the chosen Guidance, summarized in Table 1 of this Standard;

² OECD Guidance, Footnote 4, p.37

- Be communicated to suppliers and the public.

2. Internal Management Support

The Company shall ensure sufficient internal management support and allocation of sufficient resources to enable the effective operation and monitoring of the supply chain due diligence system. At a minimum, the Company shall³:

- Assign authority and responsibility to a senior staff member with the necessary competence, knowledge and experience for the due diligence management system;
- Ensure internal accountability or similar system with respect to the implementation of the due diligence management system;
- Establish the necessary organizational structure and communication processes that will ensure critical information about supply chain due diligence, including the company's policy, reaches relevant employees;
- Provide training to all relevant employees covering critical information on the due diligence management system. Training shall be conducted at a reasonable cadence, and relevant records shall be retained.
- Documents required by this Standard (see Appendix II Example Documents List) shall be retained for a minimum of five (5) years to demonstrate the effective operation of the management system.
- Regularly assess the effectiveness of the supply chain due diligence system;
- Systematically plan for the implementation and oversight of the Standard assessment activities.

3. Business Partner Engagement

The Company shall strengthen its engagement with suppliers. Where possible and where capacities and resources allow, the Company shall assist suppliers in building capacities with a view to improving due diligence performance. The Company should aim to establish long-term relationships with suppliers in order to build responsible sourcing relationships with them.

The Company shall incorporate its supply chain policy and due diligence management process into commercial contracts and/or written agreements with direct suppliers. The Company's communication to suppliers shall ensure that critical information, including the Company's supply chain policy and its expectations that suppliers conduct due diligence in

³ If the company is from an EITI implementing country, it shall support the implementation of the principles of the EITI individually or through joint efforts and through company participation in appropriate reporting.

accordance with the Chinese Guidelines or the OECD Guidance, reaches suppliers.

The Company shall avoid cash transactions where practicable. Where cash transactions are unavoidable, the Company shall:

- Develop measures to assess and manage risks associated with cash transactions;
- Ensure cash purchases of minerals are supported by verifiable documentation.

Where possible, the Company is encouraged to engage with downstream companies to encourage their awareness of and support for activities related to supply chain due diligence. The Company shall pass relevant due diligence information on to customers and downstream companies, with due regard taken of business confidentiality.

The Company designs measurable improvement plans with suppliers, where possible, involving external stakeholders such as local government or civil society, as appropriate.

4. Grievance Mechanism

The Company shall develop or refer to an effective mechanism allowing any interested party (affected persons or whistle-blowers internal or external to the Company) to voice concerns regarding the circumstances of mineral extraction, trade, handling and export, without fear of retaliation⁴. The Company may refer to grievance mechanisms provided by industry mechanisms as applicable and appropriate for their operations and communicate the mechanism to stakeholders to ensure effective communication channels.

The mechanism shall, at a minimum, include a formalized process to investigate the concern or grievance received and, if applicable, determine appropriate corrective and preventive actions.

5. System of Controls and Transparency

The Company shall ensure sufficient material control over its own operations as well as cobalt supply chains to allow for the identification of any red flags or warning signs associated with cobalt suppliers or material received.

⁴ Assessed parties may refer to the United Nations Guiding Principles on Business and Human Rights, Provision 31, for a description of criteria of effectiveness for a non-judicial grievance mechanism. The document can be accessed in English and Chinese here: https://www.ohchr.org/Documents/Publications/GuidingPrinciples-BusinessHR_EN.pdf and here: https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_CH.pdf

The system of controls and transparency, in particular the determination of origin for mined material, is required to enable the identification, assessment and mitigation of risks. The company may work with direct suppliers to obtain the required information to identify the place of origin. When suppliers are unable or unwilling to provide complete and accurate material origin and chain of custody information, the Company shall propose the requirement of undergoing an independent third-party assessment and shall adopt appropriate risk management actions, such as promoting joint efforts with upstream and downstream stakeholders or engaging in industry-wide efforts to increase leverage on suppliers to adhere to the OECD Due Diligence Guidance, Chinese Guidelines, and this Standard.

The point of origin of the material received depends on the type of material:

- **Mined material:** The origin for any cobalt-bearing mined material is the mine site where the material was extracted, regardless of the extraction method (large scale, medium scale, small scale or artisanal) and regardless of whether the material is a mining by-product or not.
- **Recycled material:** The origin of recycled material is the point where the material is returned to the cobalt refiner or other downstream intermediate processor or recycler.

a. Internal Material Control

Internal material control systems shall ensure:

- Each individual transaction of relevant material received is identified and recorded. The process shall record the date the material is physically received or the date the material is received in the Company's material control system as well as the type, weight and source of the material. The Company's internal material control system shall ensure all material received is inspected to confirm the type, weight and source of the material. The extent of such inspections may vary based on the risk profile of the material source.
- The Company shall demonstrate the ability to reconcile material inputs and outputs over a given period of time by applicable methods. Unreasonable changes to inventory (losses or gains) shall be investigated and the findings established in writing. For the purpose of this Standard, "unreasonable" refers to a significant deviation from the average losses or gains observed during the Company's operations.
- The Company shall investigate and address any discrepancies or inconsistencies identified during the review of this information.

b. Supplier Information

The Company shall establish and implement Know Your Supplier (KYS) requirements to determine the identity, type of business relationship and legality of business operations for each direct supplier of cobalt material. The information shall be maintained on file for each supplier of cobalt material.

Furthermore, the Company shall identify the direct supplier for each individual transaction of relevant material received within the assessment period and obtain evidence that the direct supplier conducts responsible supply chain management, as specified in the sections below.

c. Mined Material

For mined cobalt material, the Company's system of controls and transparency shall at a minimum identify:

- The identity of the direct supplier of the cobalt mined material
- The method of extraction of mined material
 - a. Large-scale mined material (LSM)
 - b. Artisanal and small-scale mined material (ASM)
- The point of origin of the mined cobalt material:
 - a. From CAHRAs: The location(s) and name (s) of mines where cobalt is extracted either directly or as a by-product;
 - b. From areas outside of CAHRAs: The country of origin of mines where cobalt is extracted either directly or as a by-product.
- The location where mined material is consolidated, blended, crushed, milled, smelted and / or refined;
- The date the mineral is extracted, smelted and / or refined;
- The mineral weight;
- The assay results indicating the metal grade.

The Company shall use a risk management-based approach to establish appropriate chain of custody or traceability over mineral production and trade between mine site(s) and the Company for mined material.

d. Recycled Material

The Company shall maintain reasonable evidence to demonstrate that the material is recycled, including:

- Name and address of the immediate supplier;
- Immediate supplier contract and/or purchase agreement(s) containing description of recycled material⁵
- Information on the composition or physical form of the receipts such as analysis data, photos, or explicit descriptions of the secondary material; and
- Transport documentation from the immediate supplier to the Company.

For recycled cobalt material, the Company shall implement a risk-based assessment of the likelihood that raw materials are laundered through recycled channels to conceal its origin. The risk assessment shall be carried out on a regular basis at the frequency determined by the Company.

e. Material from a Cobalt Refiner

For cobalt material received from another Refiner, the Company shall have and implement a process to obtain and retain the following information:

- Name and address of the supplying Refiner that produced the material;
- Supplying Refiner contract and/or purchase agreement(s) containing description of materials⁶;
- Transport documentation from the supplying Refiner;
- Information on the composition and physical form of the materials received as well as the production date;
- Records confirming that the Company encourages supplying Refiners to undergo an Independent Third-Party Assessment against this Standard⁷, and to provide evidence of the completed and up-to-date Assessment and conformance status to the Company (if applicable);
- If the supplying Refiner (Crude or Fine Refiner) has not successfully undergone an Independent Third-Party Assessment against this Standard, or a Standard recognized as equivalent, the supplying Refiner must obtain relevant information as specified in this section, and provide this to the Company:
 - All the above data points for mined material, including:
 - Records identifying the origin and chain of custody information for all mined-material inputs, including:

⁵ Taking into account business confidentiality and other competitive concerns. This includes price information and supplier relationships. Only relevant information is required, not entire contracts and/or agreements.

⁶ Taking into account business confidentiality and other competitive concerns. This includes price information and supplier relationships. Only relevant information is required, not entire contracts and/or agreements.

⁷ Or other independent third-party assessment programs that meets the requirements set forth in this Standard and are formally recognized by the RMI and RCI.

- From CAHRAs: The location(s) and name (s) of mines where cobalt is extracted either directly or as a by-product;
- From areas outside of CAHRAs: The country of origin of mines where cobalt is extracted either directly or as a by-product.
 - Locations of the extraction, trade, handling, and export of minerals;
 - Documented chain of custody between the mine site(s), the supplying Cobalt Refiner, and the Company;
 - The transportation route and the means of transportation;
 - Description of the process to ensure the integrity of the shipment, with due regard of security concerns;
- The Company must determine whether this information may trigger any red flags in accordance with this Standard. In cases where red flag(s) are triggered, the corresponding risk assessment and risk management steps are also required.

B. Step 2: Identify and Assess Risks in the Supply Chain

The Company shall conduct a risk assessment on all cobalt material sourced, covering all applicable risks in the model policy of the chosen supply chain policy, which are summarized in Table 1 below. The identification and assessment of risk in the supply chain due diligence system is an on-going process. At a minimum, the Company should repeat the steps outlined in this section:

- After implementation of a risk mitigation strategy; or
- Significant changes in the Company's supply chain, to prevent or mitigate adverse impacts.

Optional Best Practice: The Company may also include additional Environmental, Social, and Governance issues in its risk assessment and risk management activities.

Table 1: Risks Covered in the supply Chain Policies

Chinese Guidelines: Annex Model Supply Chain Policy (Type 1 Risks)	OECD Guidance, Annex II Model Policy
<ul style="list-style-type: none"> • Serious human rights abuses <ul style="list-style-type: none"> ○ Any forms of torture, cruel, inhuman and degrading treatment; ○ Any forms of forced or compulsory labor; ○ The worst forms of child labor;⁸ ○ Other gross human rights violations and abuses such as widespread sexual violence; ○ War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide. 	<ul style="list-style-type: none"> • Serious abuses associated with the extraction, transport or trade of minerals: <ul style="list-style-type: none"> ○ Any forms of torture, cruel, inhuman and degrading treatment; ○ Any forms of forced or compulsory labor; ○ The worst forms of child labor;⁹ ○ Other gross human rights violations and abuses such as widespread sexual violence; ○ War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
<ul style="list-style-type: none"> • Direct or indirect support to non-state armed groups and public or private security forces. • Corruption, money laundering and payments to governments. 	<ul style="list-style-type: none"> • Direct or indirect support to non-state armed groups.¹⁰ • Direct or indirect support to public or private security forces. • Bribery and fraudulent misrepresentation of the origin of minerals. <ul style="list-style-type: none"> ○ Money laundering. • Non-payment of taxes, fees and royalties to governments.
<p>Additional risk(s): Occupational health and safety conditions that are not adequate to maintain the miners', direct and indirect employee's physical and mental health.</p>	

8 See ILO Convention No. 182 on the Worst Forms of Child Labour (1999). The Company shall consider the OECD practical actions for companies to identify and address the worst forms of child labour in mineral supply chains to manage risks specifically related to child labor.

9 See ILO Convention No. 182 on the Worst Forms of Child Labour (1999). The Company shall consider the OECD Practical actions for companies to identify and address the worst forms of child labour in mineral supply chains to manage risks specifically related to child labor.

10 This includes direct or indirect finance or benefit to armed groups as defined in the Securities and Exchange Commission 17CFR Parts 240 and 249b (SEC Final Conflict Minerals Rule). To identify non-state armed groups, companies should refer to relevant UN Security Council resolutions.

1. Identification of CAHRAs, Warning Signs or Red Flags

The Company shall gather, examine and verify the information gathered in Step 1: Management System and engage with suppliers to identify risks and confirm information on cobalt suppliers and the origin of cobalt material received as part of their system of controls and transparency to identify any red flags or warning signs.

Conflict-affected and high-risk areas (CAHRAs): Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.

To identify Red Flags or warning signs, the Company shall:

- Design and implement a process to determine any CAHRAs as defined by the Chinese Guidelines or OECD Guidance in its supply chain. The process shall include, at a minimum:
 - The types of resources used by the refiner to identify CAHRAs¹¹;
 - The tool and/or criteria used by the Company to determine a CAHRA¹²;
 - The frequency within which the determination is reviewed and updated.
 - A record of all the countries and / or areas identified as a Conflict-Affected or High-Risk within the Company's supply chain.
- The Company shall assess the plausibility of material coming from the declared sources. The Company shall undertake reasonable efforts to understand reserves, production and export statistics for the cobalt mining countries and/or regional mining areas the Company sources mined material from. The Company shall investigate and address any discrepancies compared to the potential for production from that area, supplier or type of cobalt extraction.

¹¹ Companies may refer to available resources to determine CAHRAs, such as the indicative list of CAHRAs provided by the European Commission pursuant to Article 14.2 of the EU Regulation (EU) 2017/821, or those provided by OECD-aligned initiatives, or assurance mechanisms, etc.

¹² The Company must identify reasonable thresholds for determining CAHRAs, where indices are referenced.

At a minimum, the Company shall consider the following red flags or warning signs in accordance with the Chinese Guidelines and the OECD Guidance (listed in Table 2).

Table 2: Warning Signs and red flags

Chinese Guidelines: Annex Model Supply Chain Policy	OECD Guidance, Annex II Model Policy ¹³
Warning signs locations of resource origin or transit	Red flag locations of origin and transit
<ol style="list-style-type: none"> 1. The mineral resources originate from or have been transported through a conflict-affected or high-risk area. 	<ol style="list-style-type: none"> 1. The mineral originates from or has been transported through a conflict-affected or high-risk area.
<ol style="list-style-type: none"> 2. The resources are claimed to originate from a country that has limited known reserves or stocks or expected production levels of the mineral resource in question. 3. The mineral resources are claimed to originate from a country through which resources from conflict-affected and high-risk areas are known or reasonably suspected to transit. 4. The resources are claimed to originate from recyclable/scrap or mixed sources and has been processed in a country where these resources from conflict-affected and high-risk areas is known or reasonably suspected to transit. 5. The mineral resources originate from a conflict-affected or high-risk area where the worst forms of child labor are prevalent. 	<ol style="list-style-type: none"> 2. The mineral is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of the mineral (i.e., the declared volumes of the mineral from that country are out of keeping with its known reserves or expected production levels). 3. The mineral is claimed to originate from a country through which minerals from conflict-affected and high-risk areas are known or reasonably suspected to transit. 4. The mineral is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where minerals from conflict-affected and high-risk areas is known or reasonably suspected to transit. <p>In each of these location-based red flag considerations, the risk is increased when anti money laundering laws, anti-corruption laws, customs controls and other relevant governmental oversight laws are weakly enforced; informal banking systems operate, and cash is extensively used.</p>

¹³ Red flags are defined in the mineral supplements in the OECD Guidance and thus, there are no red flags defined specifically for cobalt supply chains. This Standard uses the red flags defined by the OECD Guidance Supplement on Gold, taking into account that it was drafted after the Supplement on Tin, Tantalum and Tungsten and took into account further developments in the drafting process. These are reflected in the additional red flag on circumstances that is not included in the Supplement on Tin, Tantalum and Tungsten.

Supplier warning signs	Supplier red flags
<ol style="list-style-type: none"> Suppliers or other known upstream companies operate in locations that exhibit the warning signs above or have shareholder or other interests in suppliers from one of the abovementioned warning sign locations. Suppliers or other known upstream companies used to purchase from one of the above-mentioned warning sign locations. 	<ol style="list-style-type: none"> Suppliers or other known upstream companies operate in one of the abovementioned red flag locations of mineral origin and transit or have shareholder or other interests in suppliers of the mineral from one of the above-mentioned red flag locations of mineral origin and transit.¹⁴ Suppliers or other known upstream companies are known to have sourced the mineral from a red flag location of mineral origin and transit in the last 12 months.
Circumstantial warning signs	Red flag circumstances
<p>Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the mineral resources may contribute to conflict or serious abuses associated with the extraction, transport or trade of said resource.</p>	<p>Anomalies or unusual circumstances are identified through the information collected in Step 1 which give rise to a reasonable suspicion that the material may contribute to conflict or serious abuses associated with the extraction, transport or trade of material.</p>

No red flags: If the Company can reasonably determine that the warning signs or red flags defined in Table 2 above do not arise in the supply chain, no additional due diligence is required for that supply chain.

Red flags identified or information unknown: If the Company identifies a warning sign or red flag in the cobalt supply chain or is unable to reasonably exclude one or more of the warning signs or red flags defined in Table 2, the Company shall proceed with enhanced due diligence.

¹⁴ If the supplied mineral is confirmed not to come from the red flag location, where the supplier has an operation, there is no need for enhanced due diligence.

**ENHANCED DUE DILIGENCE – APPLICABLE ONLY IF WARNING SIGNS OR
RED FLAGS ARE IDENTIFIED**

2. Mapping of factual circumstances

Where the Company’s due diligence process has triggered warning signs or red flags, or where the Company is unable to reasonably exclude one or more of the warning signs or red flags, the Company shall map the factual circumstances of that supply chain. The Company may work with direct suppliers to obtain the required information. Such mapping shall include, at a minimum:

- Assessment of the context of all red-flagged locations and the due diligence practices of any red-flagged suppliers.
- Identification of the activities and relationships of upstream actors in the supply chain where warning signs or red flags have been identified, with evidence obtained from direct suppliers, including:
 - The identification of all intermediaries, consolidators or other actors in the upstream supply chain:
 - The name of the upstream actor / company
 - The type of business operation
 - The legality of business operations
 - The ownership (including beneficial ownership) and corporate structure of the exporter, including the names of corporate officers and directors; the business, government, political or military affiliations of the exporter and officers.
- Proactive assessment of due diligence practices of any suppliers where warning signs or red flags have been identified, covering all of the aspects referenced in this Standard.
- Clarification of the chain of custody of all cobalt material received from the supply chain where warning signs or red flags have been identified and obtaining information about its upstream indirect chain of custody from direct suppliers.
- Identification of the mineral transportation routes from direct suppliers to the Company and obtaining the mineral transportation routes of its upstream indirect supply chain from direct suppliers.
- Identification of qualitative conditions of the extraction, trade, handling, and export of minerals in the supply chain where warning signs or red flags have been identified and obtaining all locations and qualitative conditions of its upstream indirect supply chain from direct suppliers.

- Implementation of on-the-ground risk assessments (See Appendix I)¹⁵
 Identification of **payments** made related to the extraction, trade, transport and export of minerals, including for each supplier or transaction:
 - All taxes, fees and royalties paid to government related to the extraction, trade, transport and export of minerals;
 - All payments or compensation made to government agencies and officials related to the extraction, trade, transport and export of minerals;
 - All payments made to public or private security forces or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law.

Companies can utilize Independent Third-Party Assessment reports provided by direct and indirect suppliers, if available, to meet the above requirements and obtain an understanding of the activities and relationships of indirect upstream suppliers. The Company shall take into account any instance when direct or indirect suppliers are unable or unwilling to provide the above information and shall propose the requirement of undergoing an Independent Third-Party Assessment against this Standard and adopt appropriate risk management actions.

3. On-the-ground risk assessment

Where the Company's due diligence process identified one or more warning signs or red flags, the Company's due diligence shall include on-the-ground risk assessments for the supply chain and / or supplier concerned. On-the-ground risk assessments can be done individually or collaboratively to gather information on the qualitative conditions of production, handling and trade of the cobalt material.

On-the-ground risk assessments shall be performed by suitable qualified and independent assessors.¹⁶ They shall include, at a minimum, the applicable due diligence management system, the conditions of extraction, including the red flagged sources and/or suppliers of mined materials. The Company shall refer to the Chinese Guidelines or OECD Guidance Appendix: Guiding Note for Upstream Company Risk Assessment as

¹⁵ Companies may rely on internal assessors, independent third parties, upstream assurance mechanisms, or professionals with relevant knowledge and skills to carry out the on-the-ground assessment, however the Company remains individually responsible for their supply chain due diligence and following any of the reasonable recommendations put forward by assessment teams and acting on them.

¹⁶ Ensure that assessors are independent from the activity being assessed and free from conflicts of interest. Company assessors must commit to reporting truthfully and accurately and upholding the highest professional ethical standards and exercise due professional care.

well as Appendix I of this Standard for detailed guidance on how to conduct the on-the-ground risk assessment and what information should be gathered.

4. Assessment of risks against the Supply Chain Policy

The Company shall assess risks against its supply chain policy, consistent with the Chinese Guidelines Annex: Model Supply Chain Policy (Type I Risks) or the OECD Guidance Annex II Model Policy and including the risks defined in Table 1 of this Standard, national laws, and other relevant legal instruments.

Any reasonable inconsistency between these requirements and the information obtained through due diligence should constitute a risk.

C. Step 3: Design and Implement a Strategy to Respond to Identified Risks

Where risks are identified in the supply chain, it is the responsibility of the Company to adopt appropriate risk mitigation measures.

1. Risk mitigation strategy

The Company shall mitigate risks by either:

- 1) Continuing trade throughout the course of measurable risk mitigation efforts;
- 2) Temporarily suspending trade while pursuing ongoing measurable risk mitigation;
- 3) Disengaging with a supplier after failed attempts at mitigation or where a company reasonably deems risk mitigation not feasible or unacceptable.

The strategy employed must be aligned with the risk mitigation strategy defined by the Chinese Guidelines Annex: Model Supply Chain Policy (Type I Risks) or the OECD Guidance Annex II Model Policy. In particular when considering the suspension or discontinuation of a supplier relationship, companies shall take into account the potential socio-economic impacts of disengagement on the livelihoods of mining communities.¹⁷

Risk mitigation should result in significant and measurable improvement towards eliminating the identified risks within six months from the adoption of the risk management plan.¹⁸ Measurable risk mitigation should be adjusted to the Company's

¹⁷ Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, Section 7.3.2.

¹⁸ Regarding risk management of serious abuses, the Company shall immediately suspend or discontinue engagement with upstream suppliers where it identifies a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses.

specific suppliers and the context of its operations.¹⁹ Risk Mitigation shall include clear performance objectives and qualitative and / or quantitative indicators to measure improvement over time. If there is no measurable improvement within six months, companies should suspend or discontinue engagement with the supplier for a minimum of three months.

If the Company considers re-starting relationships with suppliers after suspension or disengagement, the Company shall conduct a risk assessment to assess improvement towards eliminating the identified risks three (3) months after the implementation of improvement measures by the supplier.²⁰

2. Internal reporting

The Company shall report findings on risks in the cobalt supply chain and monitoring results of system operation effectiveness to senior management, outlining all relevant information gathered and the actual and potential risks identified in the supply chain risk assessment, as well as the implementation of mitigation measures and risk management plans.

3. Risk management plan

For the ongoing management of cobalt supply chain risks, the Company should develop and implement a risk management plan that includes but is not limited to:

- 1) Risks that need to be managed and controlled;
- 2) The expected goals and outcomes of risk management;
- 3) Measurable risk mitigation measures and actions;
- 4) Roadmap, timeline and necessary resource allocation; and
- 5) Means to monitor and track the performance of the risk management plan.

The monitoring and tracking of performance of risk mitigation shall be carried out in cooperation and / or consultation with local and central authorities and other relevant stakeholders, as appropriate. Relevant records shall be kept. The Company shall consider establishing or supporting community-based networks to monitor risk mitigation.

¹⁹ Reasonable time periods for the Company to assess measurable improvement of the risk mitigation should take into account on-the-ground circumstances enabling risk mitigation. A reasonable time period for Companies to expect full elimination of identified risks will depend on the identified adverse impacts and on-the-ground circumstances.

²⁰ See footnote 19.

The Company shall further maintain ongoing risk monitoring, evaluate the effectiveness of risk mitigation efforts and undertake additional risk assessments as required.

4. Build leverage

In the design and implementation of risk mitigation, the Company shall consult with suppliers and affected stakeholders, such as local government or civil society as appropriate, to agree on the strategy for measurable risk mitigation in the risk management plan. In doing so, the Company shall build and/or exercise leverage over the actors in the supply chain who can most effectively and most directly mitigate the risks of adverse impacts.

D. Step 4: Independent Third-Party Assessment of Company Due Diligence Practices

For companies that are “Identified Points” in the supply chain, their due diligence practices should be assessed by an independent third party.

While, duplicative assessments (i.e. multiple annual assessments at same refiner facility) should be avoided in the cobalt supply chain, it is necessary to conduct Independent Third Party Assessments at each Identified Point.²¹ Upstream and downstream companies are strongly encouraged to explore fair and practical solutions to share the costs of the Independent Third-Party Assessments. This can include:

- Offsetting or paying for the costs of the Independent Third-Party Assessment
- Providing training and/or capacity-building for suppliers
- Supporting pre-assessment preparations and technical assistance needs
- Supporting closure of Corrective Action Plans
- Investing in long-term supplier relationships to build trust, understanding, and increased performance over time

The assessment must be done through a qualified and credible independent third party that is verified and approved by the RCI and RMI in accordance with the organizations’ own policies and processes.

²¹ RMI and RCI recommend that upstream and downstream companies utilize this Standard in their cobalt refiner due diligence and assurance activities and leverage the results of assessments against this Standard to avoid costly duplicative assessments.

E. Step 5: Public Reporting

The Company shall annually report, or integrate into annual sustainability or corporate responsibility reports, information on supply chain due diligence. Information shall be published, at a minimum, annually and directly by the Company, for example by posting on a company website or industry association website. Publication of such information shall pay due regard to business confidentiality and other competitive concerns. Appendix III includes the categories that are required to be included in public reports.

The published information by the Company shall include the following contents:

- Management system: including an overview or a link to the company's supply chain policy, description of management structure and responsibilities, description of the systems of material controls and transparency, and description of the due diligence record keeping system;
- Assessment summary report: including the date of last assessment, assessment period, assessment firm, and overview or links to the most recent assessment summary report (if applicable);
- Risk assessment: including risk assessment methods and results, including (if applicable) on-the-ground assessment methods and results;
- Risk management (if applicable): including risk mitigation strategies, participation of affected stakeholders, and continual improvement and monitoring progress; and
- Any other information deemed appropriate.

F. Step 6: Community Participation

Companies are encouraged to consider ways to effectively engage with local communities with a view to establish partnerships with artisanal miners, local communities, governmental and non-governmental organizations as well as other stakeholders.

Community participation may include, but is not limited to:

- Develop and implement a community development plan with local stakeholders to promote community development;
- Create employment and / or livelihood opportunities for local community members and support local economic development;
- Provide vocational and skills development training opportunities for the local community;

- Conduct social impact assessments, communicate with potentially affected parties as soon as possible, and establish regular communication mechanisms;
- Establish management positions in the company responsible for community participation, and ensure it is sufficiently resourced;
- Ensure the company's grievance mechanism considers local community issues;
- Respect the cultural traditions and religious beliefs of the community and protect the cultural heritage of the community;
- Establish partnerships with local organizations and stakeholders.

For more information, please refer to Article 3.8 of the Guidelines for Social Responsibility in Outbound Mining Investments.

VI. DEFINITIONS OF TERMS AND ACRONYMS

The following auxiliary verbs are used in this Standard:

- “Shall” and “Should” indicate requirements;
- “May” and “can” indicates possibility or ability.

Ability to convert: Direct, in-house capability to chemically or thermally convert materials and is not applicable to companies that wholly contract or sub-contract those processes.

Artisanal and Small-Scale Mining (ASM): Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation.

- Artisanal Mining refers to mining operations carried out in a simple or informal manner, it can include men and women working on an individual basis as well as those working in family groups.
- Small-Scale Mining refers to mining operations that involve exploration, extraction, processing, and transportation activities characterized by low capital-intensive and high labour-intensive technology. It can be in partnership, cooperative, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners.

Assessment: an evaluation of a person, organization, system, process, enterprise, project or product.

Assessment Firm / Assessor / Assessment Team: The entity that carries out an independent assessment of a company against the Standard requirements and produces an assessment report.

Company: The entity or entities included in the scope of the Independent Third-Party Assessment. A company is a legal business entity with overall management responsibility of operations and administration of at least one refiner. A company can consist of a single facility and business processes (refining) or multiple facilities and business processes (in addition to refining).

Child Labor: The term “child labor” refers to any person under the age of 15, or under the age for completing compulsory schooling or under the age for employment in the country, whichever is greatest.

In addition, the ILO Minimum Age Convention, 1973 (No. 138) specifies that: The

minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out is likely to jeopardize the health, safety or morals of young persons shall not be less than 18 years.

Refer to the definition of “Worst Forms of Child Labor” for details on types of employment or work that are likely to jeopardize the health, safety or morals of children and young persons.

(ILO Minimum Age Convention, 1973 (No. 138): https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)

China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCMC): A nationwide industrial and nonprofit organization registered in Ministry of Civil Affairs of China. Formed jointly and voluntarily by various economic organizations engaged in manufacturing, import and export and other relative activities in metallic minerals and related products, non-metallic minerals and related products, hardware and related products, construction materials, oil and oil products, chemicals and related products.

Chinese Guidelines²²: General term for the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains <http://cccmc.org.cn/docs/2016-05/20160503161454495880.pdf>

Cobalt Refiners: An entity that processes cobalt-bearing ore, concentrates, intermediates or recycled feed and produces crude or refined cobalt products or a variety of cobalt products, including both cobalt crude refiners and cobalt fine refiners.

Conflict-Affected and High-Risk Areas (CAHRAs): Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.²³

²² The revised Chinese Guidelines are planned to be released in 2021.

²³ OECD Guidance for Responsible Supply Chains of minerals from Conflict Affected and High-Risk Areas, Third Edition

Country of Origin: The country where the ore was mined.

Critical Information: For the purpose of this Standard, “critical information” refers to any and all information related to the Company’s due diligence and that is necessary for all parties involved in the program, specifically employees and suppliers, to effectively carry out the tasks and responsibilities assigned to them as part of the program.

Treatment Units: Includes any company that uses non-metallurgical, or chemical processes for crushing and mineral processing to produce cobalt ore products such as cobalt concentrates that will require further smelting prior to its use in the downstream manufacturing process.

Downstream Manufacturing: For the purpose of this Standard, “downstream manufacturing” refers to any operation where cobalt product(s) are used as substance, material, sub-part or part of a product without undergoing further refining processes.

Independent Third-Party Assessment: A formalized evaluation of an entity against criteria established independent of the audited entity, typically resulting in a report containing specific findings. In this document, the term “Independent Third-Party Assessment” is used specifically in the context of the OECD Guidance Step 4 or the ISO19011:2001 Standard. The evaluation of a company against the requirements in this document is referred to as an Independent Third-Party Assessment.

Internal Material Control Systems: These systems serve to validate the Company’s ability to record, control and monitor the material received, stored, processed or otherwise handled by the Company.

ISO: International Organization for Standardization

Know Your Supplier (KYS): Principles established to combat money laundering and finance of terrorism. KYS principles require businesses to establish the identity of all organizations with which they deal, have a clear understanding of their business relationships and have a reasonable ability to identify and react to transaction patterns appearing out of the ordinary or suspicious. (Source: https://www.responsiblejewellery.com/files/RJC_Code_of_Practices_2013_V.2_eng.pdf?dl=0)

Large-Scale Mining (LSM): For the purposes of this document, the definition includes all formal operations characterized by substantial capital, heavy equipment, high

technology and a significant workforce (large and medium in size) not considered to be within the SSM/ASM definition.

OECD Guidance: General term for the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains on Minerals from Conflict-Affected and High-Risk Areas. <http://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

Material: For the purpose of this Standard, “material” refers to any cobalt-containing material.

Mined Material: Mined materials or substances used in the primary production of metals.

Product Shipments: Include any finished good and secondary, intermediate, semi-processed, or other materials that are sold and then shipped out of the facility during the audit period.

Recycled Materials: Commonly referred to as recycle/scrap. Recycled metals as defined by the OECD Guidance, and referenced by the U.S. Securities and Exchange Commission are ‘reclaimed end-user or post-consumer products, or scrap processed metals created during product manufacturing including excess, obsolete, defective, and scrap metal materials which contain refined or processed metals that are appropriate to recycle in the production of the mineral. As defined by the OECD Guidance, minerals partially processed, unprocessed, or a byproduct from another ore (for example, slags) are not recycled or secondary materials.

Responsible Cobalt Initiative (RCI): An international industry coalition dedicated to creating an inclusive, sustainable, and responsible supply chain of cobalt. The membership organization, representing multiple stages of the cobalt supply chain, works with international partners to improve transparency, address the challenges of cobalt extraction, and foster collaboration along the supply chain.

Responsible Minerals Initiative (RMI): A global, collaborative, multi-industry initiative that supports responsible mineral production and supply chain due diligence by developing and encouraging the international uptake of a range of tools and resources, including independent third-party assessment programs. For more information, visit <http://www.responsiblemineralsinitiative.org>.

Responsible Mining Standard: a responsible mining standard refers to a standard applicable to a large-scale mine that meets the requirements set forth in this Standard.

Supplier: The company which supplies material to the refiner in the supply chain, which may be suppliers such as a mining entities, traders, other refiners, or downstream users.

Supplying Refiner: When a Company receives material from another entity, the supplying refiner is the last point in the supply chain in which the material was processed. Trading companies and other pass-through segments of the supply chain would not be considered supplying refiners.

Tolling: A transaction where materials are processed by a refiner on behalf of a client who retains ownership of the agreed to elements and / or volume of those materials.

Sub-contracting agreement: An agreement where materials are processed by a refiner on behalf of a client who retains ownership of the agreed to elements and / or volume of those materials.

Transaction: For the purpose of this Standard, a transaction refers to an individual entry of material received in the refiner's material control system. A transaction may be constituted of a single batch, container, shipment or other entity that is recorded as an individual entry.

Upstream Assurance Mechanism: A system that provides upstream actors with due diligence and / or chain of custody information to help conform to the Chinese Guidelines or OECD Due Diligence Guidance. These mechanisms may be provided by independent third-party entities or industry wide initiatives verified and approved by the RCI and RMI in accordance with the organizations' own policies and processes. In all cases, companies retain individual responsibility for their due diligence.

Worst Forms of Child Labor: For the purpose of this Standard, the definition of Worst Forms of Child Labor (WFCL) of the ILO Worst Forms of Child Labor Convention, 1999 (No. 182) applies:

The term the worst forms of child labour comprises:

- a. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;

- b. the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- c. the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- d. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

On sub-clause (d), ILO Recommendation 190 specifies that the following types of work should be considered (*emphasis added*):

- a. work which exposes children to physical, psychological or sexual abuse;
- b. work **underground**, under water, at dangerous heights or in confined spaces;
- c. work with dangerous machinery, equipment and tools, or which involves the manual handling or **transport of heavy loads**;
- d. work in an unhealthy environment which may, for example, **expose children to hazardous substances**, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
- e. work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

(ILO Worst Forms of Child Labor Convention, 1999 (No. 182): https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182

ILO Recommendation 190: <http://www.ilo.org/public/english/standards/relm/ilc/ilc87/com-chir.htm>)

VII. REVISION HISTORY AND EFFECTIVE DATE

This Standard is in effect as of the date identified on the cover page as the “Effective Date”.

Cobalt Refiner Supply Chain Due Diligence Standard (Pilot version): August 15, 2018

Cobalt Refiner Supply Chain Due Diligence Standard (Version 1.0): July 8, 2019

Cobalt Refiner Supply Chain Due Diligence Standard (Version 2.0): August 19, 2021

VIII. APPENDICES

APPENDIX I: ON THE GROUND RISK ASSESSMENTS

This Appendix includes more details regarding the requirements for on-the-ground risk assessments in the context of CAHRAs. It focuses on supply chains where warning signs or red flags have been identified and thus, enhanced due diligence must be carried out.

On-the-ground risk assessments can be conducted individually or in a cooperative manner. Companies may elect to use information generated by a third-party service provider, upstream assurance mechanism²⁴, professionals and/or other assessments verified and recognized by the RCI and RMI to support their due diligence and sourcing decisions and may provide this information to support conformance to this Standard. In all cases, companies retain individual responsibility for their due diligence.

A. Assessment Team Qualification

For on-the-ground risk assessments, the assessor or assessment team must meet the following, minimum requirements:

- Independence from the activity being assessed;
- Free from any conflict of interest;
- Appropriate level of competence, including:
 - Demonstrated experience in the implementation of on-the-ground risk assessments and / or assessments of mining (large-scale and / or artisanal) operations in the context of conflict-affected and high-risk areas;
 - Knowledge and experience in the subject matter to be assessed.

Companies shall ensure that the assessor or assessment team engaged collectively possess the skills, knowledge and experience to competently perform the assessment.

B. Assessment Cooperation

Upstream companies can cooperate with other upstream companies that source from CAHRAs or conduct business operations in these areas to establish joint assessment teams. Upstream companies that have established assessment team shall:

²⁴ Upstream assurance mechanisms shall be assessed and recognized by the RCI and RMI in alignment with the Chinese Guidelines, OECD Guidance, this Standard, and the organizations' own policies and processes.

- a) Ensure the assessment team consults with and obtain information from the local and central governments, with the mission of strengthening cooperation, and opening communication channels with local government institutions, civil societies and local suppliers.
- b) Ensure the assessment team consults with local social society organizations who are familiar with local situation, have professional knowledge.
- c) Establish or, where appropriate, support the establishment of a community monitoring network to provide information for the assessment team.
- d) Share information obtained by the assessment team with relevant stakeholders, downstream purchasers, including local and central government, as appropriate.

C. Scope of the On-the-Ground Risk Assessment

On-the-ground risk assessments shall include, at a minimum, the conditions of extraction, including the red flagged sources and/or suppliers of mined materials. The Company shall refer to the OECD Guidance, Appendix: Guiding Note for Upstream Company Risk Assessment as well as the provisions in this Appendix for detailed guidance on how to conduct the on-the-ground risk assessment and what information should be gathered.

This assessment should focus on, but not be limited to, the following supply chain actors:

- Mining operation(s) (LSM or ASM)
- Transportation routes

The assessment of due diligence practices and qualitative conditions should include, at a minimum, the risks, processes, systems and procedures described in the following sections of this Appendix. Additional risks, processes, systems or procedures may be included by the company as appropriate and proportional to the size and complexity of the supply chain where warning signs or red flags have been identified.

1. Assessment of Large-Scale Mining Operations

For material sourced from large-scale mining operations, the Company's due diligence system is expected, at a minimum, to provide evidence of the independent verification, either separately or as part of this assessment, that:

Due Diligence

- The large-scale mining operation has designed and effectively implements a due diligence system to identify, assess and appropriately mitigate risks that are

conformant with applicable requirements of the Chinese Guidelines or the OECD Guidance;

- The due diligence system shall ensure that ongoing monitoring is in place to ensure the timely and effective reporting of incidents at mine level to relevant supply chain actors including the Company;
- The due diligence system covers all risks defined in the Chinese Guidelines: Annex Model Supply Chain Policy (Type I risks) or OECD Guidance Annex II Model Policy;

Responsible Mining

- The large-scale mining operation does not use any worst forms of child labor;
- There are no serious abuses associated with the extraction, transport or trade of minerals from the large-scale mining operations as defined in Chinese Guidelines: Annex Model Supply Chain Policy (Type I risks) or OECD Guidance Annex II Model Policy;
- The large-scale mining operation has designed and effectively implements an occupational health and safety management system in conformance with internationally recognized standards;
- The large-scale mining operation has established and effectively implemented compliance systems to prevent and control bribery and other forms of corruption²⁵ in the supply chain;
- Make public fees²⁶ paid to the government of host county;
- If the large-scale mining operation is involved in trading and / or sourcing of material from artisanal miners or cooperatives it shall:
 - Disclose the names and locations of all artisanal mines and the artisanal mine operators (e.g., cooperatives) in its supply chain.
 - Adopt a due diligence and internal control system to assess and manage all risks defined in Table 1 of this Standard for ASM sources.

25 This requirement is based on Provision 3.2.3. of the Guidelines for Social Responsibility in Outbound Mining Investments of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters, accessible in Chinese and English here:
https://www.globalwitness.org/documents/20179/Guidelines_for_Social_Responsibility_in_Outbound_Mining_Investments_CN.pdf (Chinese version)
https://www.globalwitness.org/documents/20178/Guidelines_for_Social_Responsibility_in_Outbound_Mining_Investments_EN.pdf (English version)

26 This requirement is based on Provision 3.2.5. of the Guidelines for Social Responsibility in Outbound Mining Investments of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters, accessible in Chinese and English here:
https://www.globalwitness.org/documents/20179/Guidelines_for_Social_Responsibility_in_Outbound_Mining_Investments_CN.pdf (Chinese version)
https://www.globalwitness.org/documents/20178/Guidelines_for_Social_Responsibility_in_Outbound_Mining_Investments_EN.pdf (English version)

Internal Material Control

- The large-scale mining operation has internal material control systems in place that:
 - Generates all the data points required for the system of controls and transparency as defined in this Standard for all material produced and externally sourced;
 - Includes effective controls to prevent the illegal mixing of external material into the supply chain;
 - Provides a reasonable and justifiable reconciliation of material inputs and outputs over a given period of time;
- The large-scale mining operation has made all data points of the system of controls and transparency for the material supplied available to the Company.

This Standard encourages large-scale mining operators to manage Environmental, Social, and Governance issues by using utilizing responsible mining standards, initiatives, or programs, where applicable and appropriate for their operations. See Appendix V for more information.

2. Assessment of Artisanal and Small-Scale Mining Operations

For material sourced from artisanal and small-scale mining operations, the Company's due diligence system is expected, at a minimum, to provide evidence of the independent verification, either separately or as part of this assessment, that:

Due Diligence

- The artisanal and small-scale mining operations are legitimate. Legitimacy is defined as follows: *“legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalization as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so).”²⁷*;

²⁷ OECD Guidance Edition 3, Supplement on Gold, Definitions, p.69

- There is an ongoing monitoring system in place that ensures the timely and effective reporting of incidents at mine level to relevant supply chain actors including the Company.

Responsible Mining

- The artisanal and small-scale mining operations do not use any worst forms of child labor;
- There are no serious abuses associated with the extraction, transport or trade of minerals from the artisanal mining operations as defined in Chinese Guidelines: Annex Model Supply Chain Policy (Type 1 risks) or OECD Guidance Annex II Model Policy;
- Occupational health and safety conditions are adequate to maintain the artisanal and small-scale miner's physical and mental health²⁸. At a minimum, this includes:
 - Basic mine safety rules are defined and followed by the artisanal miners.
 - Appropriate personal and well-maintained protective equipment is provided to and used by the artisanal miners.

Internal Material Control

- The artisanal mining operation generates all the data points required for the system of controls and transparency as defined in this Standard for all material produced and externally sourced;
- The artisanal mining operation has made all data points of the system of controls and transparency for the material supplied available to their customers and the Company.

This Standard encourages artisanal and small-scale mining operators to manage Environmental, Social, and Governance issues by utilizing ASM standards, initiatives, or programs, where applicable and appropriate for their operations.

²⁸ This expectation is based on the Responsible Business Alliance, Code of Conduct, Version 6.0 (2018), Provision B.1) Health and Safety; Provision 3.6 of the of the Guidelines for Social Responsibility in Outbound Mining Investments of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters and Provisions M.5/1.3.3/R.1 and M.5/1.3.4/R.1 of the Code of Risk-mitigation for ASM engaging in Formal Trade, Version 1.0

APPENDIX II: EXAMPLE DOCUMENT LIST

THIS IS A NON-EXHAUSTIVE, INDICATIVE LIST ONLY.

Auditors will review documentation to test the implementation of due diligence management systems. This Appendix includes guidance on the types of documents that may be used to demonstrate implementation of the management systems. This list is indicative only and other forms or documents may equally be used by the Company.

Documentary evidence will be reviewed by the Auditor(s) during the assessment. No copies or pictures of evidence are required to be collected by the Auditor as part of the assessment.

Step 1: Establish Strong Management Systems

Supply Chain Policy

- Supply Chain Policy and disclosure method and/or link to publication of the Policy

Internal Management Support

- Due diligence process or procedure
- Job responsibilities (due diligence management related)
- Internal accountability or similar system
- Cobalt procurement process (including due diligence, chain of custody / traceability requirement)
- Records of team / management meetings discussing the implementation of the due diligence system
- Training records and training material
- Records of the due diligence management systems review, e.g., meeting records, internal audit report, external audit report, management review report, others
- Record keeping policy

Business Partner Engagement

- Contracts or written agreements with suppliers
- Records of communication of the Supply Chain Policy and critical due diligence information to suppliers, e.g., email, meeting records, content of supplier trainings / events, others

- Cash transactions management measures and receipts for cash transactions (if applicable)
- Records of communication of due diligence information to downstream customers, e.g., meeting records, external audit (summary) reports, others

Grievance Mechanism

- Reference to industry mechanism that is applicable and appropriate to the operations
- Company grievance mechanism
- Procedure to investigate and resolve concerns or grievances received, grievances records (if appropriate)

System of Controls and Transparency

Internal Material Control

- Purchasing orders based on single batch
- Procedure or process to record material received
- Inventory records showing material receipts
- Material received records including inspection records
- Raw material warehouse records
- Records of outgoing shipments
- Procurement, quality or production procedure describing the criteria to accept material
- Input-output control records
- Records of investigations for any unreasonable changes to inventory and input-output.

Know Your Supplier

- Business license
- Business structure and registration
- Individual identification piece(s)
- KYS questionnaires (completed)

Identification of Point of Origin

- Recycled material:
 - Material assay
 - Information on physical form such as photos, or explicit descriptions of the material lot

- Direct supplier contract and / or purchase agreement containing description of the material supplied
- Mined material:
 - Customs export record
 - Official (e.g., government-issued) country of origin certificate
 - Official (e.g., government-issued) mine license
 - Purchase order or contract showing mine name
 - For ASM or SSM sources: Mine visit reports from the Company, supplier or other representative
- Material from a supplying cobalt refiner:
 - Conformance statement from an assessment against this Standard or equivalent
 - Production records linking the material received to the inputs used by the supplying cobalt refiner
 - Documentation for the point of origin for all inputs used by the supplying cobalt refiner

Step 2: Identify and Assess Risks in the Supply Chain

Identification of risks in cobalt supply chains, warning signs or red flags

- Risk identification and assessment procedure for cobalt supply chain
- Procedure to identify CAHRAs
- Record of all countries and / or areas identified as high-risk area within the Company's supply chain
- Records of the assessment of all warning signs or red flags related to locations of origin and transit, suppliers and circumstances, including the conclusion reached as to whether or not enhanced due diligence is required

Mapping of factual circumstances

Chain of Custody

- Process to ensure the integrity of the shipment
- Domestic Transportation:
 - Trucking documentation or transportation logs
 - Warehouse receipts
 - Contract showing transporter name
 - Invoices from appointed transport agent
 - License from appointed transport agent
 - Inland forwarding note

- International Transportation:
 - Airway Bill
 - Bill of lading (by sea)
 - Through bill of lading
 - Customs import record (refiner's country)
- Cobalt chain of custody records (including minerals origin and all upstream suppliers' information):

Identification of activities and relationships of all upstream actors

- Know Your Supplier information for all upstream actors
- Identity of the beneficial owner(s)
- Records of checks on business, government, political or military affiliations of companies and officers within high risks.

Payments / Legality

- Customs export record
- Supplier or in-country exporter financial reports
- Records of taxes, fees and royalties paid
- Records of payments or compensation made to government agencies and officials
- Contracts with public / private security forces²⁹

On-the-ground Assessment

- On-the-ground assessment plan, including assessment methodology, scope and assessment report
- Records of internal meetings to discuss assessment results and define follow up action
- Supporting evidence demonstrating implementation of due diligence by Treatment Units
- Media / NGO reports mentioning supply chain actors related to areas covered by this Standard
- Statement of conformance / certificate for large-scale and / or artisanal mining operations from upstream assurance mechanisms or responsible mining standard applicable to large-scale mining operations
- Independent verification reports for large-scale and / or artisanal and small-scale mining operations

²⁹ With due regard taken to business confidentiality and other competitive concerns. This includes price information and supplier relationships.

- Reports of due diligence and / or responsible mining service providers
- Incident reports and records of follow up on incidents for artisanal and small-scale mining operations

Step 3: Design and Implementation of a Strategy to Respond to Identified Risks

- Process or procedure describing the company's risk assessment process (including risk criteria, risk assessment, risk mitigation, risk reporting, supplier communication, 3 risk mitigation strategies in accordance with Chinese Guidelines or OECD Due Diligence Guidance)
- Risk assessment results
- Risk management plan and risk mitigation methods
- Records of engagement with suppliers on risk mitigation
- Communication records with relevant stakeholders during risk mitigation, e.g., meeting records, emails
- Records to monitor / track progress of risk mitigation
- Notice of suspension / cancellation of contracts with suppliers for failed mitigation
- Records of internal reporting on risk mitigation, e.g., emails, meeting records

Step 4: Independent Third-Party Assessment

- Application records for the assessment (e.g., basic information collection form)
- Assessment scoping documents
- Self-assessment records, if available
- Assessment agenda
- Assessment Report
- Corrective action plan (CAP)

Step 5: Public Reporting

- Step 5 Due Diligence Report and link to publicly accessible location

APPENDIX III: STEP 5 REPORT OUTLINE

The Chinese Guidelines and OECD Guidance requires the Company to publish annual reports on supply chain due diligence policies and practices with due regard to business confidentiality and other competitive concerns. Business confidentiality and other competitive concerns means price information and supplier relationships without prejudice to subsequent evolving interpretation.

As Companies are considered an upstream entity for the purposes of the Chinese Guidelines or OECD Guidance, they must conform to the Step 5 reporting requirements for upstream companies.

Below is an outline of categories that are required to be included in these reports. It is recommended to provide examples where possible to illustrate application of due diligence concepts.

1. Company Introduction
 - a. Company Name
 - b. Refiner Company ID (optional)
 - c. Location
 - d. Materials processed

2. Assessment Summary
 - a. Date of last on-site assessment (if applicable)
 - b. Assessment period
 - c. Lead assessor name
 - d. Overview or link to most recent publicly available assessment summary report (if applicable)
 - e. In the case the company has only conducted a second-party assessment, include related information about the second-party assessment.

3. Company Management System
 - a. Overview or link to the Supply Chain Policy
 - b. Description of the Management Structure and Responsibility
 - c. Description of the System of Controls and Transparency
 - d. Description of the Record keeping system (e.g., duration of record retention, system of maintain supplier files, etc.)

4. Risk Assessment
 - a. General description of the risk assessment process, methodology and results
 - b. On-the-ground assessment methodology, practices, and results (if applicable)
5. Risk Management (if applicable)
 - a. Risk mitigation strategy
 - b. Involvement of stakeholders
 - c. Descriptions of efforts to track and monitor progress
6. OPTIONAL: Description of other issues and / or risks beyond the OECD Guidance included in the management system.

Where the Company utilizes an upstream assurance mechanism, some of the information may be published by this system and does not need to be repeated by the Company. This applies, in particular, to descriptions of methodologies or systems of control over the supply chain. The Company may request and obtain this information from the upstream assurance mechanism and to make it available for the due diligence assessor. The Company, assessor, and the program may be subject to confidentiality agreements in regard to information generated by the upstream assurance mechanism.

APPENDIX IV: TYPES OF COBALT MATERIAL

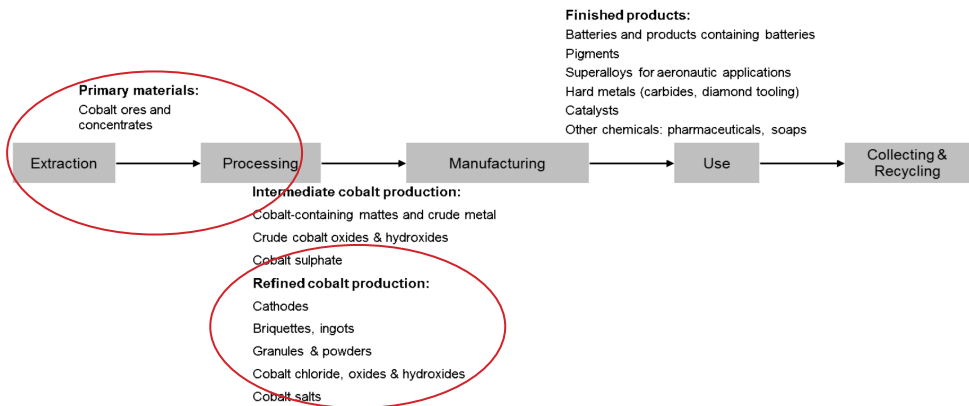
This section provides further information on the cobalt value chain and types of cobalt products. The section is based on the information made available by the European Union Raw Materials Information System (RMIS) and can be accessed here: <http://rmis.jrc.ec.europa.eu/?page=mfa-inventory-fc6a02#/materials/cobalt>.

Figure 1 below presents a simplified cobalt value chain.

Cobalt crude refiners processes cobalt ore or concentrates to an intermediate cobalt product that requires further processing by a fine refiner prior to use in a downstream manufacturing process.

Cobalt fine refiners are entities that sell their products directly into the “manufacturing” stream without further refining.

Facilities that only produce battery cathode, alloys, ceramics are downstream and not considered a refiner.



Cobalt is often found as a by-product of nickel (estimated 50% of cobalt production) and copper (estimated 44% of cobalt production) with less than 10% of the material originating from primary cobalt production (estimated 6%).

The process for the production of pure cobalt metal can be classified into hydrometallurgy and pyrometallurgy. For hydrometallurgical processes, cobalt extraction generally includes some form of leaching, often using hydrochloric or sulphuric acid.

It can also include solvent extraction and electrowinning. Pyrometallurgy uses the differences in melting points and densities of different materials to separate them. After smelting, cobalt is normally still combined with nickel and the materials are separated using electrolytic processes³⁰.

Examples of cobalt products include the following: *This list is for indicative purposes only and is not exhaustive.*

- **Intermediate cobalt products:**
 - Cobalt-containing mattes
 - Cobalt-containing crude metal
 - Cobalt hydroxide
 - Crude cobalt oxide
 - Cobalt sulphate
- **Smelting cobalt production:**
 - Cathodes
 - Briquettes
 - Ingots
 - Granules
 - Powder
 - Cobalt chloride
 - Cobalt oxide
 - Cobalt hydroxide
 - Cobalt salts
- **Examples of recycling feed:**
 - Industrial scrap
 - Alloys
 - Superalloys for aeronautic applications
 - Cemented carbide cutting tools
 - Turbine blades
 - Post-consumer scrap
 - Consumer electronics batteries
 - Electric vehicle batteries
 - Magnets
 - Catalysts

³⁰ Source : <https://publications.europa.eu/en/publication-detail/-/publication/7345e3e8-98fc-11e7-b92d-01aa75ed71a1/language-en>

- **Main uses of cobalt include³¹:**
 - Battery chemicals
 - Superalloys
 - Hard materials (in carbides used for cutting tools)
 - Catalysts
 - Ceramics and pigments
 - Magnets
 - Tire adhesives and paint dryers

³¹ Source : <https://publications.europa.eu/en/publication-detail/-/publication/7345e3e8-98fc-11e7-b92d-01aa75ed71a1/language-en>

APPENDIX V: Environmental, Social, and Governance Issues in Mineral Supply Chains

RCI and RMI encourage Companies to take an inclusive approach to identifying and managing Environmental, Social, and Governance (ESG) issue areas that are relevant for mineral supply chains. These ESG issue areas relate to operating conditions and procedures of the Company's own facilities, equipment, systems and employees. As a best practice guidance, Companies are encouraged to assess the relevance of these issue areas to their own operations and to manage risks accordingly. These issues go beyond the OECD Guidance and are not required to be managed as part of the implementation of this Standard.

