



Responsible sourcing policy explainer

Chemaf (Lubumbashi, DRC)



Why do we need a Responsible Sourcing policy?

There is now widespread international recognition that the extraction and commercialisation of minerals can contribute to or be associated with significant adverse impacts such as serious human rights abuses, conflict, and corruption. Such risks may occur in many countries or regions, particularly where there are existing challenges of institutional instability, corruption, security and poverty.

The Democratic Republic of Congo (DRC) is one of the countries where international investors, mineral buyers and regulators consider there to be a high risk of significant adverse impacts associated with mining and mineral production activities. DRC-based companies like Chemaf are therefore expected to adopt a framework for conducting due diligence in their mineral supply chain.

An effective due diligence framework should be comprised of a strong management system, as well as practical actions for assessing and managing risks. This will enable Chemaf to provide confidence to stakeholders, such as customers, auditors, investors and governments, that risks are being adequately identified and managed.

Failing to meet these expectations can lead to exclusion from the market and cause potentially serious financial and reputation losses for the company.

The adoption of a formal corporate policy for responsible mineral sourcing is the first step in establishing a due diligence framework. The role of the policy is to **set out the commitment** the company has made with regards to the identification, assessment and management of risks associated with its operations, and to **guide internal processes and procedures** for supply chain due diligence. As a demonstration of our commitment to being a responsible minerals producer, we make our policy publicly available on our website.

A formalised policy for the responsible sourcing of minerals that is publicly available and communicated at all relevant levels of the organisation can help Chemaf achieve the following:

- 1. Manage potential risks within our own operations and those of our suppliers** by explicitly stating Chemaf's commitment to due diligence and describing the specific measures against which we assess ourselves and the activities of our third party ore suppliers to ensure potential risks are adequately managed.
- 2. Meet market requirements and retain commercial relationships with customers:** The requirement for establishing a strong management system for due diligence, including a responsible mineral sourcing policy is embedded in:
 - Commercial agreements with customers.
 - The London Metals Exchange Responsible Sourcing requirements for all LME brands.
 - Industry schemes that are widely used by Chemaf's customers in their compliance programmes, such as the Responsible Minerals Initiative (RMI).
- 3. Comply with legal requirements of countries importing minerals from the DRC:** The United States and the European Union have both adopted regulation for companies buying certain minerals (tin, tantalum, tungsten and gold) sourced from the DRC and other high-risk / conflict-affected areas. For producers that do not meet these legal requirements, access to these markets will be restricted.

Meeting the above expectations will minimise the risk of Chemaf being excluded from the market and the potential financial impacts this entails, as well as position Chemaf as a preferential supplier for its customers.



What risks are addressed in the policy?

Chemaf's Responsible Sourcing Policy addresses three main types of risk, described below.

Risk covered by the policy	How might such risks be identified?
<p>Serious human rights abuses</p> <p><i>“We will not tolerate...profit from, contribute to, assist with or facilitate ...serious abuses by any party of:</i></p> <ul style="list-style-type: none"> - torture, cruel, inhuman and degrading treatment; - any forms of forced or compulsory labour; - child labour; - other gross human rights violations and abuses; - war crimes...” 	<ul style="list-style-type: none"> • Presence of children at mine sites and surrounding areas and site access controls • Presence of forced labour on site • Presence of artisanal miners on site, their legitimacy and potential relations with the government or military • Evidence of conflict or tensions between mine owners and artisanal miners • Evidence of tensions, grievances or conflict with communities in relation to mining operations
<p>Armed groups and security forces</p> <p><i>“We will not tolerate support to non-state armed groups through the extraction, transport, trade, handling or export of minerals.”</i></p> <p><i>“We agree to eliminate direct or indirect support to public or private security forces who illegally control mine sites, transportation routes...illegally tax or extort money or minerals at mine sites, along transportation routes...”</i></p>	<ul style="list-style-type: none"> • Nature of public or private security services provided • Screening practices and training for security forces hired at sites • Affiliations of suppliers with political, military and other armed groups • Militarisation of mine sites, transport routes, and trading points
<p>Bribery, corruption and money-laundering</p> <p><i>“We will not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments...”</i></p>	<ul style="list-style-type: none"> • Records of taxes, fees or royalty payments made by mineral suppliers to governments • Records of payments made by mineral suppliers to private and public security forces • Operating mining licenses and permits • Methods of transportation and transport documentation checks in place



How do we implement the Policy?

The diagram below provides an overview of the key process steps involved in implementing Chemaf's Responsible Sourcing Policy. Chemaf has developed a management system with Standard Operating Procedures (SOPs) to drive the implementation of specific activities (which includes activities not illustrated below).

