

# Kamoto Copper Company (KCC)



## Public Due Diligence Report October 2020<sup>1</sup>

**RESPONSIBLE MINERALS ASSURANCE PROCESS**

<sup>1</sup> Editorial correction made in August 2021

## Table of Contents

Introduction .....	3
1. Company Information .....	3
2. Responsible Minerals Assurance Process (RMAP) Assessment Summary .....	3
3. Supply Chain Policy.....	3
4. Management System.....	4
4.1 Management Structure .....	4
4.2 Internal Systems of Control .....	4
4.3 Record Keeping System.....	5
5. Risk Identification.....	5

# KCC Public Due Diligence Report

## October 2020

### Introduction

This report provides information on supply chain due diligence policies and practices for Kamoto Copper Company (KCC) for the period from October 2019 to October 2020. This report follows the *Responsible Minerals Assurance Process (RMAP) Public Due Diligence Report Writing Guidance*, by the Responsible Minerals Initiative (RMI) and is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains from Conflicted-Affected and High-Risk Areas (the 'OECD Guidance').

### 1. Company Information

Kamoto Copper Company (KCC) is one of the world's largest copper and cobalt producer with mining and processing facility located in the western end of the Katangan Copperbelt. The site is west of Kolwezi, in the Lualaba province of the Democratic Republic of Congo (DRC), which contains some of the richest copper and cobalt deposits globally.

KCC is a joint venture between Katanga Mining Ltd (75% (wholly owned by Glencore, one of the world's largest globally diversified natural resource companies)) and the state-owned Général des Carrières et des Mines SA (Gécamines - 25%).

KCC extracts ore containing copper and cobalt from its own open pit and underground mines. The ore is transported via trucks and conveyor belts from its mining operations to a concentrator (KTC) where the ore is crushed and concentrated and then transferred to the Luilu metallurgical plant (or crude refiner). At Luilu, the ore is processed through concentrate leach technology followed by solvent extraction and electrowinning for the copper production, and by selective precipitation for cobalt hydroxide production.

KCC does not purchase any third party feed from any sources. KCC only has one customer, Glencore International (GIAG), a Glencore trading company, who purchases 100% of KCC's production.

KCC's RMI identification number is CID003261.

### 2. Responsible Minerals Assurance Process (RMAP) Assessment Summary

KCC is a member of RMI and listed on the Active Cobalt Refiners list. The impacts of COVID-19 have delayed the RMAP scheduling in 2020. The assessment is set for February 2021 and KCC is working closely with RMI and the selected assessor, RCS Global, in anticipation of this.

### 3. Supply Chain Policy

KCC does not purchase any third party feed, so there are no external suppliers of cobalt. All the material processed at Luilu (the crude refiner) is from KCC owned operations. KCC therefore has direct visibility and control over the OECD Guidance risks described in Annex II and manages them through its own policies and procedures. These are defined by the [Glencore Approach to Sustainability](#) and include the following:

- [Code of Conduct](#)
- [Global Anti-corruption Policy](#)
- [Human Rights Policy](#)
- [Sustainability Policy](#)
- [Group Tax Policy](#)

Glencore also has defined [expectations](#) for suppliers which are specified in the [Supplier Standards](#). These standards cover all of the risks identified in Annex II of the OECD Guidance. They apply to all of Glencore's suppliers, are global in geographic scope and are incorporated into supplier contracts.

As part of due diligence, Glencore maintains a list of conflict-affected and high-risk areas (CAHRAs) using a number of resources to assess:

- Conflict: eg , Conflict barometer (Heidelberg Institute) and Fragile state index (The Fund for Peace)
- Democracy and rule of law using The Worldwide Governance Indicators (WGI) maintained by the World Bank Group
- Human rights: eg, Freedom in the World Index (Freedom House), Global Slavery Index (Walk Free Foundation)

Glencore also undertakes to support suppliers where necessary to guide them in meeting the Supplier Standards. Additionally, the web platform '[Raising Concerns](#)' is available to all employees and third parties for any grievances regarding Glencore's due diligence.

## 4. Management System

### 4.1 Management Structure

The scope of due diligence issues is covered under Glencore's Group Compliance Framework. KCC subscribes fully to this compliance framework which includes a range of policies, procedures, guidelines, training and awareness, monitoring and investigations. All of our permanent and temporary employees, directors, officers, contractors and suppliers must comply with it, in addition to complying with applicable laws and regulations. At the highest level, this programme is overseen by the Business Ethics Committee (BEC) that comprises Glencore's CEO, CFO, and Glencore General Counsel, senior management and members of the compliance team. The BEC considers compliance issues relevant to the Group and reviews and approves Glencore policies, procedures and guidelines. The BEC reports to the Board through the relevant committees.

In alignment with this framework, KCC employees and contractors receive induction sessions and ongoing training on a range of compliance issues. Training includes guidance on important topics such as raising concerns, facilitation payments, the giving and receiving of gifts and entertainment and dealings with public officials. We tailor our training and make it relevant for our employees by including real-life hypothetical scenarios that illustrate how legal and ethical dilemmas might manifest themselves in daily work activities.

To additionally ensure the effective implementation of the Glencore compliance programme, KCC has appointed two compliance coordinators whose role is to support employees in day-to-day business considerations, particularly those seeking advice on ethical, lawful behaviour or policy implementation.

The management structure at KCC also includes senior managers for operations, security, metals accounting, export, transportation and operational environmental, health and safety.

### 4.2 Internal Systems of Control

#### ***Chain of Custody***

KCC maintains direct control over all its source material. As described in the company information section above, the cobalt bearing ore is moved from mining to concentration to crude refining within KCC's perimeter. This movement of material is tracked throughout using sampling and measurement systems for mass and metal content. The data is inputted to metals accounting which produces an on-going metal/commodity balance for the operation.

Before leaving KCC for export, each individual cobalt bag is sealed and tagged with bar codes and truck cargo is also covered with tarpaulins and securely locked. Its journey to clients is monitored via a tracking system and a secure chain of custody is ensured through appropriate security escorts and checks.

#### ***Grievance Mechanism***

The Glencore '[Raising Concerns](#)' platform described above is also designed to address issues at KCC. Everybody working for Glencore, including contractors and suppliers, must promptly raise any situations in which the Glencore Code of Conduct, its underlying policies, or the law, appear to have been breached. Concerns can be raised confidentially and without retaliation and the existence of this platform is communicated as part of annual training and also actively communicated via KCC communication channels (intranet, notices and signs on-site).

### 4.3 Record Keeping System

KCC requires that all records relating to the due diligence program are maintained for a minimum of 5 years. Many documents must be maintained for 10 years in accordance with DRC law.

## 5. Risk Identification

The DRC is considered a conflict-affected and high-risk area. Key risks at KCC relevant to the OECD Annex II risks are outlined below.

### ***Artisanal and small-scale mining (ASM)***

ASM represents an important livelihood and income source for many poverty-affected populations around the world, including in the DRC. ASM is largely unmechanised and informal in nature so it often presents significant risks for safety and human rights, including the presence of child labour. ASM is particularly prevalent near our operations at KCC. Our customers require assurance that our product does not contain ore sourced from artisanal mining where those risks exist. KCC does not purchase any third party material (ASM or otherwise), and through our chain-of-custody controls we ensure that no external material inadvertently enters our production.

Historically, artisanal miners have illegally operated on our concessions, which puts their own lives at risk and also brings operational, security and safety risks for KCC employees and contractors. On June 27, 2019, Glencore reported an incident that resulted in multiple fatalities and injuries of artisanal miners working illegally within the KCC concession area. The artisanal miners affected were tunnelling two separate galleries into the pit walls away from KCC operational mining areas, which caved in. KCC is aware that there were at least 30 artisanal miners that lost their lives in these tragic events.

In response to this incident and the broader issues related to ASM, KCC is working with a specialist ASM institution to develop an ASM Management Plan. Some of the immediate actions which have been implemented include:

- Strengthening perimeter controls: Construction of a concrete T-wall around the perimeter of the mining areas on the concession to prevent ASM intrusions. Also, see the security and human rights section below;
- Securing of seized material: In case of intrusion, any confiscated ore from illegal ASM intrusion is quarantined (put in bags, weighed, sealed, locked and stored in a dedicated place of our warehouse for subsequent safe disposal);
- Supporting social development: We continue our community development programmes, in particular a series of initiatives designed to fight child labour and develop alternative sources of livelihoods for the community. These include supporting over 160 agricultural co-operatives providing food self-sufficiency and income generation to approximately 3,500 members and their dependents, upskilling 2,000 small business association members who support 12,000 dependants. KCC and Glencore also have a programme for keeping children in school and out of mining. We estimate this has improved learning conditions for 54,570 school primary and secondary age school children. During 2019, through our school holiday camps, 10,300 children received a meal each day and participated in a wide range of recreational and educational activities, which included discussions on children's rights, the importance of education and the risks associated with artisanal mining.

We believe that legal ASM can play an important and sustainable role in the DRC economy when carried out responsibly and transparently. In August 2020, Glencore announced its membership of the Fair Cobalt Alliance (FCA). Through its partners in the DRC, the FCA aims to tackle long-standing challenges within the ASM sector. Its objectives include achieving a child-labour free Kolwezi, supporting the professionalisation of ASM through the adoption of responsible mining practices, and identifying and supporting alternative livelihoods to help increase incomes and reduce poverty.

### ***Security and Human Rights***

Kolwezi is a highly populated area of extreme poverty and KCC requires a security approach which protects people and assets while upholding respect for human rights. We deploy private security to conduct control and containment

operations. There is also public security on site (mine police), as mandated under the Mining Code of the DRC. In line with our Group Human Rights Policy, KCC is committed to the Voluntary Principles on Security and Human Rights. KCC applies the Voluntary Principles using a 5-step approach:

- Understanding the risks through cross-functional risk assessments.
- Strong engagement with security providers, incorporated into contractual requirements
- Raising awareness through human rights training adapted to education level. KCC staff, contractors and the Mine Police all do training on human rights and security.
- Internal controls including mixed patrols on-site (KCC staff, security contractors and mine police) and incident monitoring
- External monitoring via engagement with community and dialogue with local NGOs

### ***Ensuring no child Labour***

The presence of child labour in the Kolwezi area is a well-known issue, however it is related to ASM rather than to large-scale operations. KCC has strict employee screening, ID check and access control measures to ensure that no one under the age of 18 is employed either directly or indirectly via contractors.

### ***Anti-corruption***

Our position on bribery and corruption is clear. We do not engage in corrupt conduct and it is unacceptable to offer, pay, authorise, solicit and accept bribes. The KCC Global Anti-Corruption Policy sets out the conduct expected of each of the employees so that we can respect applicable anti-corruption laws and secure our long-term presence as a responsible business in Kolwezi which promotes fair business and competition. All our employees, directors, officers, contractors and business partners are therefore required to take personal responsibility for implementing the policy and take part in training related to bribery and corruption risks. Under the policy, any observation with respect to bribery and corruption must be immediately reported to the management or the local Compliance Department. Where a concern remains unresolved through local channels, or should an employee, contractor, supplier or other stakeholder, for whatever reason and at any time, feel uncomfortable using the local channels to resolve their concerns, they can be raised via Glencore's ['Raising Concerns'](#) web platform or Hotline.

We also conduct risk-based due diligence on third parties in order to identify any concerns or red flags that may exist and to take steps to measure, manage, monitor and mitigate the risks associated with these relationships.

### ***Payments to governments***

We pay all relevant and applicable taxes, royalties and levies required by local and national regulation in the DRC. The payments we make to the DRC government include local, national, sales and employment taxes, government royalties and licence and permitting fees. In addition, we contribute to local economies through our use of local suppliers, employee wages and employee benefits, voluntary support of socio-economic initiatives such as health and education projects and infrastructure development. We welcome fiscal transparency, as it encourages the responsible management of revenues from extractive activities. We are a supporter of the Extractive Industries Transparency Initiative (EITI) and its principles of transparency and accountability. We participate in in-country forums supporting the EITI. The Glencore [annual payments to governments report](#) includes the information on KCC required by the EU Accounting Directive, and details payments by country, project and recipient.