

## **PUBLIC DUE DILIGENCE REPORT**

### **1. Company Information**

Freeport Cobalt Oy was established in 2013 and has been a part of Freeport-McMoRan since March 29<sup>th</sup> 2013. Freeport Cobalt Oy is the producer of high quality cobalt based chemicals and powders. The processing facility locates at Koblottiaukio 1, 67900 Kokkola, Finland.

### **2. Cobalt Refiner Supply Chain Due Diligence Standard Assessment Summary**

Freeport Cobalt Oy (referred as the 'company' or 'FCO') has undergone a Pilot Cobalt Refiner Supply Chain Due Diligence Standard assessment from 6<sup>th</sup> to 7<sup>th</sup> September. The assessment was conducted by SCS Global Services. The assessment period was 09/01/2017 - 08/31/2018.

### **3. Company Supply Chain Policy**

To avoid the use of conflict minerals, which directly or indirectly finance or benefit armed groups and/or involve other serious human right abuses in high-risk and conflict-affected regions, the company has developed a supply chain policy. The supply chain policy is fully aligned with the third edition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). It covers all of the risks identified in Annex II of the OECD Guidance and its geographic scope is global. The company is committed working with value chain members to address any Annex II (see attachment) risks if identified. The policy has been reviewed and approved by President and Executive Group of the company, which are committed to its implementation. The policy has been widely disseminated to the raw material suppliers and is publically available on the company's website.

[Cobalt Supply Chain Policy](#)

### **4. Company Management System**

#### **Management Structure**

The company follows through on its commitments in the supply chain policy and has developed an internal procedure for due diligence with the following aspects:

- The company's President and Executive Group are responsible to oversee the due diligence program and risk management design and implementation.

- The Responsible Sourcing Steering Group decides how Conflict Affected High-Risk Areas (CAHRAs) are defined at FCO (see section 5). The Steering Group also determines the required risk management measures for each supplier in the supply chain.
- The company has assigned a Quality and Sustainability Manager to coordinate the work of the relevant departments (including the Raw Material Management, Quality, Production) to ensure each department continuously implements roles and responsibilities associated with the due diligence program and report any potential risks identified.
- The company conducts due diligence management system training at least once a year for key staff from all relevant departments implementing the due diligence program. If there is an update to the program, the company conducts additional training as necessary.

### **Internal Systems of Control**

The company has updated its due diligence management system to be aligned with the OECD Guidance and Pilot Cobalt Refiner Due Diligence Standard in 2018. The company communicated its cobalt supply chain policy and sourcing requirements to all identified upstream suppliers in Q3-Q4/2018. The company has implemented due diligence requirements to the management system. Supplier audits are carried out as part of the due diligence process. The company refers to RMI's publicly available grievance mechanism to collect information on grievances from interested parties. This form is available at:

<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/grievance-mechanism/>

The grievance mechanism allows anonymous incident reporting and whistleblower protections. Any grievance will be reported to the company and is further reported to the company's management system for further assessment. The assessment of any grievance is done by the Responsible Sourcing Steering Group which also determines suitable actions to the incident. Further information of the grievance mechanism is available at RMI's website.

### **Record Keeping System**

The company requires that all records relating to the due diligence program are maintained for a minimum of five years and that they must be properly used and safely stored in our online company database.

## 5. Risk Identification

The company has a robust process to identify risks in the supply chain.

Firstly, referring to the risks in the company's supply chain policy, the company has a procedure to identify conflict-affected and high-risk areas (CAHRAs). The procedure includes the resources used, the criteria to define a "conflict-affected and high-risk" area as well as the frequency with which our determination is reviewed. The company uses the following publically available resources to determine CAHRAs:

- The Heidelberg Conflict Barometer provides conflict maps, representing an annual snapshot of the presence of armed conflict.
- World governance indicators reports aggregate and individual governance indicators for over 200 countries and territories, for six dimensions of governance.
- The Office of the High Commissioner for Human Rights (UN Human Rights) is the leading entity on which provides human rights information by country basis.

Referring to its supply chain policy and external resources, the company has defined criteria and benchmark indicators to determine CAHRAs.

Secondly, the company has a Know Your Supplier (KYS) procedure to include information concerning supplier legal status and identity, supplier mapping and potential risks. The company's Responsible Sourcing Steering Group reviews and provides information to the Purchasing Team. Whenever inconsistencies, errors or incomplete information is identified in the KYS form, the company communicates the improvement areas to suppliers and requests an updated form. If red flags were identified, the company would further engage with its suppliers to clarify and improve the documents as needed.

Thirdly, the company has requested origin information for each material transaction and ensured that it was able to determine the transaction origin, transportation route, as well as direct suppliers' names and locations.

Fourthly, all information collected was reviewed by the company against identified CAHRAs, sanction lists, local laws and internal sourcing requirements.

## Risk assessment

For material and supply chains, which were determined to be “high-risk”, the company conducted enhanced due diligence. This included:

- Assessing the context of CAHRAs;
- Verifying the chain of custody;
- Assessing the activities and relationships of upstream suppliers;
- Identifying locations and qualitative conditions of the extraction, trade, handling and export of minerals; and
- Conducting on-the-ground assessments.

In order to map the factual circumstances, conduct on-the-ground assessments and assess risks in the high-risk supply chains, we relied on the following:

The company conducted basic research on the CAHRAs identified in our supply chain. This included publically available reports regarding the governance, security and human rights context of the countries as well as reports specifically mentioning human rights abuses related to cobalt mining practices. Secondly, the company completed a stakeholder mapping to inform our stakeholder engagement strategy. To complement the mapping, the company required our direct suppliers to provide the names, locations and types of business operations for each supply chain actor between the mine sites and the in country exporter. The company conducted an enhanced KYS process for all upstream actors. Working with our supply chain partners, we collected chain of custody documentation for each material transaction and ensured that it was able to determine the transaction origin and transportation route.

A third party has conducted an on-the-ground-mine-site assessment for a high-risk supplier during April 2016 as outlined in the Freeport-McMoRan Supplier Code of Conduct.

## 6. Risk Mitigation

The company’s Supply Chain Policy defines three possible risk mitigation strategies in accordance with the OECD Guidance Annex II Model Policy:

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.

## ATTACHMENT

**OECD DUE DILIGENCE GUIDANCE - ANNEX II RISKS**

While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of:

1. Any forms of torture, cruel, inhuman and degrading treatment;
2. Any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily;
3. The worst forms of child labour;
4. Other gross human rights violations and abuses such as widespread sexual violence;
5. War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.