Advisory Board

Meeting Summary

held on 13th November 2023

Fair Cobalt Alliance
L'Alliance du Cobalt Equitable

Advisory Board members present

Angela Jorns	Fairphone
Benitha Tambwe (on behalf of Paul Mabolia)	CTCPM
Holger Grundel	Levin Sources
Nicole Hanson	LME
Jose Diemel	Independent Consultant
Richard Robertson	RMAC Global
Olivier Delafoy	Mining and Business
Sebastian Vetter	Auruvum

Absent Advisory Board members

Auguste Mutombo	IDAK
Brieuc Debontridder	Author and Photographer
Jaimie Wallisch (On behalf of Jared Connors)	Assent
Hugh Brown	Photographer
Nikolaus McLachlan	Cobalt for Development
Stacy Hope [Chair]	Women In Mining UK

FCA Secretariat Members present

Antoine Kasongo	The Impact Facility
Candice Jumwa	
David Sturmes	
Laura Gerritsen	

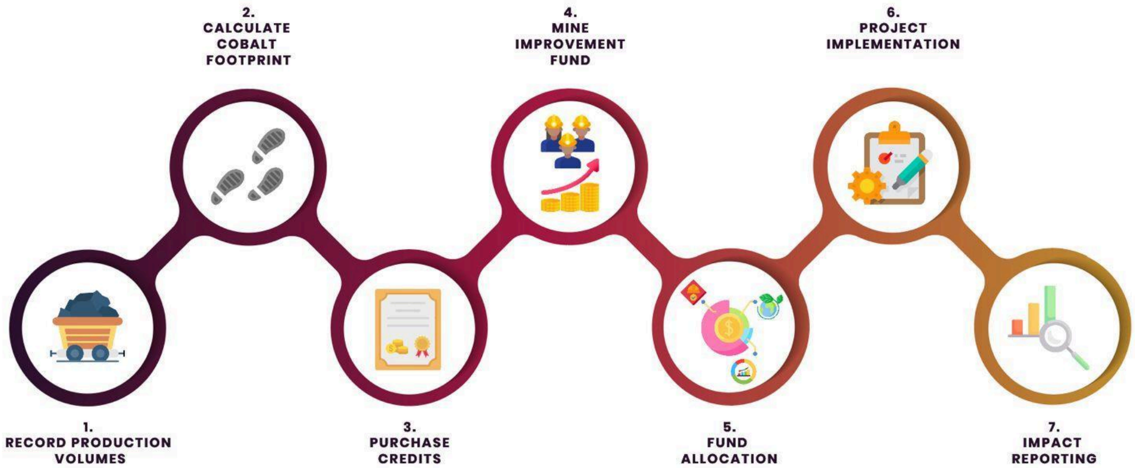
Abbreviation	Definition
AB	**Advisory Board**
FAC	**Fund Allocation Committee**
FCA	**Fair Cobalt Alliance**
OHS	**Operational Health and Safety**

Meeting Agenda

- Responsible Mineral Credits
- Monitoring & Evaluation Report (Baseline and Current Status)
- Updated FCA Strategy
- 2023 Annual Report
- AOB

Responsible Mineral Credits

- With the launch of the Fairphone 5 in August 2023, the FCA and Fairphone launched a responsible cobalt credit pilot commensurate to the amount of cobalt in the phone for investment into improving the Kamilombe mine site.
- The FCA local team put a cobalt tracking system in place to understand the production volumes from the pilot ten tunnels (out of the more than 250 tunnels at the site), going through the ore washing and to the depots. The pilot sites have now grown to over 30 tunnels. Since the tracking started, the FCA has recorded about 70 tonnes of material.
- Fairphone paid $5000 per credit, (equivalent to the historic price average of cobalt for the last three years) spending a total of slightly above $12,000 for around 2.5 tonnes of material and will claim as part of their external communications that "We (Fairphone) account for 100% of the cobalt used in the battery by buying cobalt credits, which support the improvement of working conditions for artisanal cobalt miners in the DRC." For context, this has increased the Fairphone phone price by 17 cents for 100% of the cobalt footprint.
- With an estimated average of 6kgs of cobalt per Electric Vehicle (EV) battery, this translates to a $30 increase in the price per vehicle that would be payable to the RMC scheme if a company aims to offset 100% of its cobalt consumption.
- FCA considers a company's 10% cobalt consumption investment in the RMC the minimum entry level given the estimated 10% of ASM cobalt in the market, but 100% investment remains welcome and encouraged.
- The pilot will allow for further refinement of the system, starting at Kamilombe, but with the ambition to scale it across other mine sites and, in the future, across different minerals. As conditions improve, the amount of responsibly produced ASM minerals in the market will increase. The system complements FCA's ambitions for ASM mine site professionalisation.
- Companies participating can account for their cobalt usage and the latent exposure to ASM through this.
- Revenue from the sales of the credits will be held in a fund managed by The Impact Facility (TIF) and restricted to continuous improvement actions prioritised by the cooperative through the Fund Allocation Committee (FAC). The FCA is in the process of finalising its governance structure.
- The credit system comprises seven different steps, as summarised below.:



- The Kamilombe mine site meets all the minimum requirements, aligned with CRAFT modules 1, 2 and 3 that outline the legitimacy of mine sites where no legal sites exist; no legal ASM sites in the DRC currently exist.
- The FCA would like support in refining the claims and communications attached to the mechanism to avoid any claims of greenwashing, the main criticism of the carbon credit system. The FCA would like to ensure that the credit scheme is well understood and that it does not prevent downstream companies from conducting their supply chain due diligence.
- The pilot with Fairphone is based on 2nd party monitoring by TIF, but as the mechanism grows, 3rd party monitoring will be done by an external party, preferably a local company, but also open to an international organisation in the absence of the former.
- Please note that TIF does not track the material once it leaves the mine site; it only tracks the output through the different tunnels, which are tracked through production records at the depot level. A couple of traders are participating in this scheme and disclose how much they have bought from the tunnels, verified through purchase receipts that lead to the creation of available credits.
- TIF hopes to start with extra RMC sales in Q1 of 2024 once over 100 tonnes of material are available. The volumes are not based on ore volumes but rather on cobalt content, for which government estimates put this at 5% cobalt purity at Kamilombe. When scaled, the

FCA aims to have sample-based verification of the cobalt content - but at the moment, it relies on the government estimate.

- FCA is finalising the terms of governance together with the already selected individuals and plans to allocate funds for project implementation either at the end of the year or in early January. Any contracting to go to RMC project implementation will be subject to FCA Due diligence and KYC check.

More information about the mechanism is available here: https://www.faircobaltalliance.org/approach/responsible-cobalt-credits/

Discussion from the AB

- The AB congratulated the FCA on the launch of the mechanism
- It is important for Fairphone to state in its public communication that its RCC contribution is separate from its membership contribution to the FCA to avoid greenwashing claims.
- For greater credibility, it is important to prioritise 3rd-party assurance in the scheme as soon as possible.

How does the system key into Fairphone's cobalt supply chain due diligence?

- Fairphone has always assumed the existence of ASM cobalt in its supply chain. The company's supplier due diligence efforts have proven that some of the cobalt in their products originates from the DRC, and since the company cannot trace the cobalt back to the exact industrial company in the country, it makes this assumption.
- As part of the due diligence efforts, Fairphone focuses on step 3 of the OECD Annex: prevention and remediation of the risks identified downstream, hence the reasons for co-founding the FCA as a means to implement remediation efforts upstream.

How have stakeholders responded to the RMC?

- Most stakeholders engaged or providing feedback have stated the scheme as a pragmatic solution for the highly complex cobalt supply chain.
- No greenwashing claims yet.

How has the government received it?

- On the ground, SAEMAPE is involved with production monitoring, and they are a non-voting participant in the Fund Allocation Committee (FAC).
- The prospect of generating more considerable revenue through this scheme is promising to the local government as well as CTCPM, which is aware of the system and continues to be updated.

- The government considers this work separate from theirs but aligns with their request for more international investment in the sector.

Reflecting on Fairphone's experience, what are the complexities of calculating a company's cobalt footprint?

- For Fairphone, it is relatively easy to calculate the company's footprint as it has a full material declaration for all products, making it easy to know how much cobalt is in each product. Fairphone can calculate the amount the company expects to sell throughout the year and verify this against the actual amount sold at the end of the year.
- Many companies do not have a complete material declaration on their products, and when they do, they need to have one for each of their many products, which can be a complex process for much bigger companies.
- What the company says about their credit purchase (public claim) should be linked to their cobalt footprint (10% or 100% for one product or many products, if not all) to avoid RMC investments being perceived as charity contributions.
- If we look at the OECD guidance on ASM and child labour remediation (CLR), there is an explicit recommendation to join collective action; FCA is one such mechanism.
- The company's due diligence efforts should be commensurate to its ability to take action and contribute to improvements downstream; hence, coupling the credit purchase to the company's footprint is an appropriate scheme. A large EV company has a bigger footprint than a small company and thus should contribute more to the mechanism.
- The FCA has already elaborated on the idea with the OECD, who are supportive of the mechanism, and in the 2023 OECD session in April, hosted a session to socialise the scheme to the participants.

Are there any other FCA members that have supported this?

- There is none outside of Fairphone at the moment.
- Signify has expressed continued interest in engaging in the scheme, and the FCA is actively discussing with other companies outside the membership (premature to name), such as large car and electronics companies, to encourage their participation in the scheme.

How does the FAC function in collaboration or separation with the FCA? There might be a perception that the funds are part of the FCA.

- 100% of the money received from the sale of credits to Fairphone will be spent on the impact projects on the ground. FCA general funds will fund the project management

at the moment, including payment to 3rd party service providers and project implementation.
- As we think of a marketplace, the FCA might introduce a management fee to go towards auditing and project management costs so that the actual credit sales always go to impact on the ground and 3rd party product and service costs.
- Given that the pilot is a small investment, the FCA will leverage TIF's annual financial audit reporting to audit the responsible cobalt credits financial statement. The RCC impact assessment will lean on the 2024 M&E assessment to provide additional data points so there is an element of 3rd party assessment.

<u>What plans do we have beyond action FCA membership to scale the mechanism beyond the pilot with Fairphone?</u>

- The separation between FCA and the miners' own impact investment priorities comes down to their degree of self-determination. The FCA is, to a large degree, involved in the design of the on-the-ground interventions. Most interventions have been based on the local needs assessment through M&E and through the initial study. In the FAC, the 10 voting members exclude the cooperative and the FCA; our participation is to facilitate the engagement. 30% of all financing in the future will go towards women-centric projects for inclusivity.

More discussions will be needed to address whether credit sales will only be limited to FCA members, and if not, how the credits, when purchased by non-FCA members, can indicate this.

Monitoring & Evaluation Report (Baseline and Current Status)

- The results chains were laid and developed in partnership with Levin sources and implemented through different perception surveys.
- The priority areas included are: 1) Fostering inclusive and economic development, 2) Child labour remediation and 3) Enabling safe and dignified working conditions.
- The enabling factors for this include: 1) Attracting blended finance sector investment, 2) Increasing industry acceptance for ASM cobalt, and 3) Facilitating supply chain-wide collaboration.
- Three different perception surveys (in both French and Swahili) were implemented across three different groups: community members, miners at the site and women washers. The results of this were laid out in the baseline survey report.
- The key insights under Demographics & professional experience include:
    - The median age of miners is 35 years,

  - The majority of miners are between 20 - 57 years and have an average of 6 years working at the mine site, with some miners reporting to have worked for up to 30 years at the mine site
  - The majority of miners in the region are originally from Kolwezi and have finished secondary school.
  - Most miners (70%) said mining has brought about a positive impact on their lives.
  - The main accidents on site were reported to be landslides, tunnel collapses, and falling rocks; a lot of miners (70%) have witnessed fatal accidents.
  - Many know the need and importance of PPE, but PPE adoption still needs to improve, especially for helmet use.
  - There was a high satisfaction rate for women washers using PPE on their safety at work.
- The key insights under the Mineral Marketing Process include:
  - A high percentage of miners (80%) feel cheated by local traders regarding mineral pricing. They believe the purity measurements to be intentionally inaccurate.
  - Miners have made the following recommendations for improving the sector: 1) Better cobalt purchase price and, 2) Fair ore grading measurement and scale calibration.

- The survey also had an income data section, comparing miners' income from before and after mining, but the data was highly irregular, hence difficult to get statistically relevant information on this part.
  - To mitigate this, the FCA will need to do a more in-depth income study on the cobalt price history, comparing that with miners' income over time to come up with a conclusive conclusion.
  - The FCA has partnered with an international commodity trader, and the team is collecting monthly pricing data with the hope of having the monthly data points to use as income reference.
- The results of the baseline survey were used to inform the 2024 - 2026 strategy.
- The next survey, to be rolled out in February 2024, will more granularly address this and its results published in the 2024 annual report.
- The results of this next M&E report will be disseminated to all interested academics and stakeholders (local and international) to allow for cross-programmatic learning.
- TIF aims to conduct an annual impact report. The M&E provides a baseline on what the FCA can do and prioritise with limited financial resources.

Feedback from the AB

- The AB believes this to be an important piece of work for the measurement of the impact of FCA interventions at the mine site and surrounding communities.

Updated FCA Strategy

- The FCA team used July, August, and September to review FCA's progress against the goals set at its inception and draw learnings from activities implemented. August 2023 marked the three-year anniversary of the inception of the FCA.
- The FCA has now been able to rearticulate the FCA ambitions in line with the overarching goal of contributing to a just and inclusive energy transition. The focus of our work lies across four areas:
    - Fair and safe ASM
    - Child Labour Remediation and Prevention
    - Economic resilience
- all attached to the enabling objective that is:
    - Value chain participation is a key differentiator of the FCA as a multi-stakeholder initiative (MSI), as only through collaborative action can we bring sector-wide changes and enable market acceptance of ASM cobalt.

<u>Budget reflection</u>

- The 2024 budget is lower than the 2023 one as multi-year funding from the Dutch government ends in 2023, even though cooperative contributions remain stable.
- The FCA was unable to get institutional financing due to the requests for proposals (RFP) windows that broadly fall towards the end of the year, including the EPRM application and the USAID funding opportunity through ATI, where up to $4 million is available in project financing.
- AB advised to have a look at the slide deck on budget allocation. The deck also highlights additional activities that can be achieved with an additional budget (currently unavailable in the 2024 budget). Regardless, continuous fundraising efforts will continue throughout 2024.

- The Northstar indicators are considered as part of the 2024 - 2026 strategy
    - 15,000 people (at least 2 mine sites) benefiting from improved OHS
    - 3,000 people with increased financial literacy
    - 600 years of child/youth support activities committed. For any kids onboarded into the CLR mechanism, the FCA commits to supporting them until they turn 16. The FCA wants the aggregate sum of the multi-year support to add up to 600 years in total

- 2 million in private sector contributions and the RMC model scaled to 10+ companies.

The FCA will conduct an end-of-the-year assessment to check progress.

FCA Advocacy

- The FCA is increasingly acting as an advocacy platform and knowledge partner, taking time to speak at local and international events and engaging different types of journalists on the socio-economic value of the sector. The rationale is the belief that investment (in the millions) into the sector is necessary for the economic and social uplift of the people who depend on the sector for a livelihood. As such, the team has spent approximately $20,000 on travel throughout the year and is currently debating the value of the effort being put into such external communication and whether this would be best spent on investment in PPE and other activities on the ground.
- To prioritise engagement, the FCA would like the AB's support in identifying relevant stakeholders to support the strategic realisation of the FCA impact targets.

Discussion from the AB

What is the prioritisation in preventing landslides?

- One of the critical priority activities already ongoing is the roofing of pits to prevent mine flooding. For more complex issues, such as the site's pilot excavation, considering the legal pit depth in ASM being 30 m, is something the FCA is keen to pilot once mine site legalisation efforts have been approved. Pit fortification to prevent tunnel collapses will also be considered in the future.
- There are huge restrictions on our activities at the mine site as long as Kamilombe is not a legal mine site, hence the ongoing conversation with Gecamines to allow for Kamilombe's legal status.

Are the 2024 budget considerations only for Kamilombe?

- The funds committed are all for the Kamilombe mine site.
- However, subject to the outcome of the current proposals, we might be able to move to a new mine site or be forced to stop working at Kamilombe.

Is the credit fund's governance connected to the FCA's big-picture efforts?

- All four priority areas for improvement are connected and work towards enabling the mine sites' professionalisation.
- Credits are direct results of the mine's production volume; hence, it is imperative to make this a grassroots initiative informed by the mining community members.

- The FAC is representative of the workforce and because of the pre-set areas of investment, the cooperative and the FCA (non-voting members of the FAC) will have a veto on proposals for investment. All proposals for mine improvement will need to clearly result in measurable impact and be implemented within six months, among other considerations.
- If not met, the FCA and the mining cooperative can send back an investment proposal to the voting member of the FAC, explaining why and the actions that need to take place for the proposal to pass.
- As the responsible cobalt credits sales increase, the FCA will reduce the general funding for mine improvements. The revenue generation from credit sales will enable a trajectory of scoring higher against the RMI criteria, progressively limiting FCA's direct involvement in the site and enabling prioritisation of the FCA activities to other mine sites that score lower on the framework.

AOB

- The FCA is looking to get a full-time dedicated FCA Director. Ideally, a Congolese or Francophone National; the team is also open to an individual based in Europe (UK or Brussels) willing to facilitate remote working. A Brussels-based director can help the team gain a strategic advantage over European governments and major NGOs.