MOLYMET BELGIUM®

OECD DUE DILIGENCE STEP 5 REPORT

November 2023

www.molymetbelgium.be

INTRODUCTION

Molymet Belgium is a molybdenum processing company located in Ghent, Belgium and part of the Molymet group. It's main activities are the following:

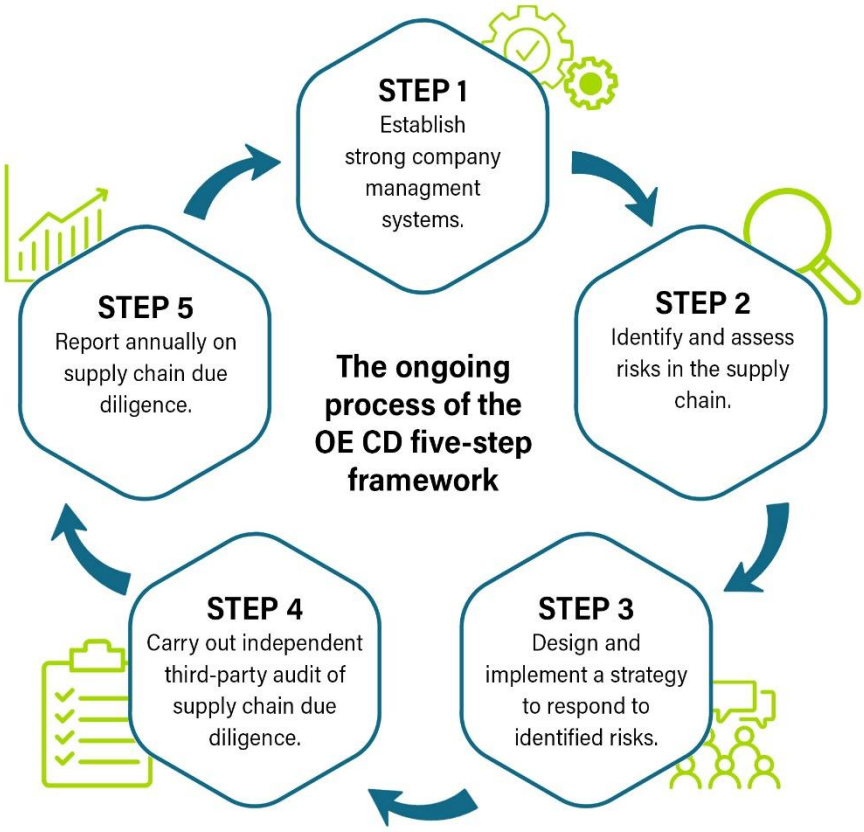
- Roasting of moly concentrates (MoS_2) to roasted molybdenum concentrates (RMC)
- Production of moly briquettes (PCF) from RMC
- Production of ferromolybdenum (FeMo) from RMC
- Production of sulphuric acid

Molymet Belgium has two ways of converting moly concentrates; using the buy-and-sell principle or by tolling. Concentrates are purchased from Eastern Europe, North America and South America. As we directly buy from miners, it is our duty to assess and control due diligence for our upstream suppliers, based on the Joint Due diligence Standard and the OECD guidance on responsible mineral sourcing. As such, we want to develop and implement a management system that supports and controls due diligence in our supply chain.

All actors in the mineral supply chain can have a risk of contributing to adverse impacts of the mineral trade. Due diligence is a process for companies to identify whether their supply chains are risky and to take necessary measures to reduce or completely eliminate the identified risks in the supply chain. Due diligence is an ongoing process that needs frequent monitoring and updating.

This report was developed based on the five-step framework from the OECD guidance on responsible mineral sourcing.

The five steps of the framework are the following:



Step 1: development and implementation of a due diligence management system

Policies and code of conduct

Molymet Belgium does not approve any kind of unhuman behaviour, unethical practices or violations against health, safety or environment. We aim for a work environment that is transparent, safe and sustainable. Our company policy states our vision and values and can be found on our website: https://www.molymetbelgium.be/en/about-molymet-belgium.

In 2023 our code of conduct was renewed completely as it was extended with all topics we think are most important in the supply chain. Our code of conduct describes what we expect

from our suppliers and contractors, as well as from our own workers and is communicated with all stakeholders involved.

Complaints procedure

As a company, we aim for a transparent and sustainable way of work at our own facility but also at our suppliers' facilities. Everyone is able to submit complaints or notifications of due diligence violations as stated in our complaints procedure. Instructions can be found on our website: https://molymet-belgium.be/en/reports.

Step 2: Identification of red flags in the supply chain

As part of the due diligence requirements, a supplier survey was conducted among the suppliers of our molybdenum raw materials (MoS_2). A questionnaire with various questions about sustainability and due diligence was delivered to all our molybdenum suppliers. This was set up based on the risks in Annex II of the OECD due diligence guidance for minerals:

Subsequently, a complete risk analysis was carried out from the results of this survey for the various suppliers surveyed. From this analysis, it was determined whether there are red flags among our suppliers.

This supplier evaluation is part of our sustainability management system, based on the OECD guidance on responsible sourcing and the Joint due diligence standard (The CopperMark, V3) and also on our corporate due diligence supply chain policy, which can be found on our website.

The responsible managers for due diligence are Frederik Van Eeckhaute (HSSEQ manager) and Philippe Quéré (Commercial manager).

Supplier survey

The standard requires in section 5.4.2 and annex II that we start by surveying whether there are "red flags" for our suppliers. This means that there is production or processing by a company in an area or transport through an area where geopolitical problems are present. The term used in the standard for these areas is a "CAHRA" (= Conflict affected or high risk area). These CAHRA areas are defined on the basis of various criteria such as war, violence, chaos, degrading conditions and a shortage of molybdenum raw materials.

Because there is no unambiguous and complete CAHRA list, the European CAHRA list is usually used. However, it is incomplete, which means that a number of additional tools must be used (namely for conflicts, politics and human rights). The site of RMI (= responsible minerals initiative) contains a reliable and complete list of useful tools to supplement the EU CAHRA list. In the survey to the suppliers, reference was made to the European CAHRA list with the following three tools to be found on the RMI website:

- Conflict: Heidelberg coflict barometer
- Governance: Worldwide governance indicators
- Human rights: Fundamental rights index

As already indicated, the "red flag" investigation is integrated into one complete questionnaire to our molybdenum suppliers. The other topics that had to be questioned were determined based on four domains; people – environment – politics – due diligence:

- Whether there is a violation of human rights
- Whether there are any sanctions pending against the company
- Whether there are any forms of fraud, corruption or money laundering
- Whether the impact of its own activities has been identified
- Compliance with all applicable laws

Table 1: Questionnaire to suppliers

Human aspect	**Wt**
Is there a system against inhumane behaviour (e.g. child labour, slavery,..)?	**4**
Is there a system in place to prevent fraud, corruption and money laundering?	**4**
Do all employees have a written employment contract?	**4**
Is there a system in place to improve health and safety?	**6**
Environmental Aspect	
Have potential and existing environmental risks been identified?	**6**
Are environmental emissions from the activities monitored?	**4**
Are there any existing plans to reduce the impact on the environment?	**2**
Legislative and political aspects	
Is the company compliant with all applicable laws?	**4**
Is the company on any sanctions list?	**10**
Does the company have regular inspections by government agencies?	**2**
Does the company have a branch in a zone on the CAHRA list?	**15**
Does the company carry out transports through a zone on the CAHRA list?	**15**
Due diligence	
What are the company's current certifications?	**6**
Does the company have a code of conduct?	**4**
Does the company report on sustainability?	**4**
Does the company have a grievance mechanism?	**4**
Are due diligence and sustainable entrepreneurship already included in the policy?	**2**
Have the potential and existing risks of the activities already been identified?	**4**

Each question asked in the supplier survey was weighted based on the importance and size of the topic's impact on Molymet Belgium as a customer. The weights were distributed to such an extent that when cumulated a score out of 100 was obtained. Because the main focus of the red flag review is on operation in or transport through high-risk areas, the questions in this regard were given the greatest weight. The weights were added to each question in Table 1.

According to the due diligence procedure, suppliers must carry out a risk analysis based on the results of a supplier survey. Based on the scores resulting from our supplier survey, the suppliers in question are catalogued into one of the following three risk groups:

80-100%: No risk

The supplier shall take sufficient due diligence actions. No additional actions are needed for the time being, the supplier will be questioned again in three years' time.

50-80%: Moderate risk

The supplier must take a number of additional actions in order to comply with the due diligence principle. For this reason, an annual visit to the supplier is necessary and extra follow-up should be done for the topics that are not in order.

0-50%: High risk

The supplier does not take any actions to comply with the due diligence principle. For this reason, the cooperation with the supplier will be terminated immediately.

Conclusion

The questionnaire was forwarded to all suppliers of molybdenum raw materials. Based on the completed lists, a score could be calculated for each supplier based on the predetermined weights per question. Depending on the score, a risk classification was made for each supplier. The risk assessment per supplier can be found in Figure 1.

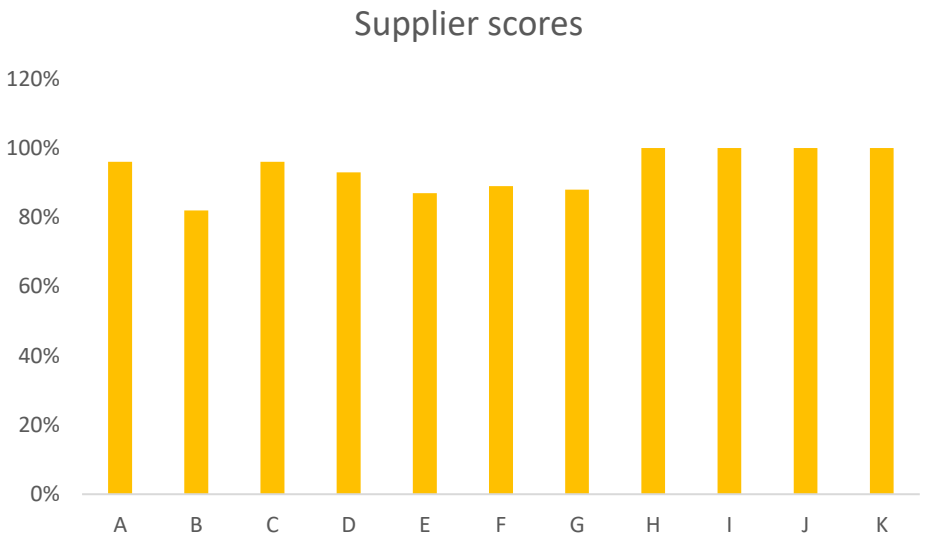


Figure 1: Risk evaluation score per supplier

A completed list was received from each supplier that was surveyed. A total of 11 suppliers were evaluated.

Based on the score categories, the following results were obtained from the evaluation:

- No risk: 11 suppliers

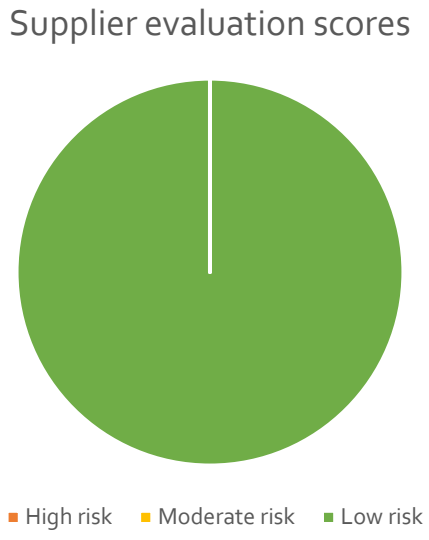


Figure 2: Overall supplier evaluation scores

The suppliers who currently have no risk will receive a new due diligence questionnaire every three years. In this way, it is possible to continuously monitor whether they still maintain a good risk score.

SOURCES

Joint due diligence standard for Copper, Lead, Molybdenum, Nickel and Zinc (Versie 3, 24 augustus 2022)

OECD guidance on responsible minerals sourcing

OECD guidance on responsible minerals sourcing annex II

The CopperMark due diligence procedure (versie 1, 13 juni 2022)

https://www.cahraslist.net/ (Accessed 23 June 2023)