

Due Diligence Annual report 2022



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INTRODUCTION

Exercise of due diligence is the ongoing, proactive process that enables companies to ensure that they respect human rights, that they do not contribute to conflict, and that they respect international law and comply with national laws, including those relating to minerals supply.

The main purpose of Somika due diligence chain is to ensure that all persons acting on behalf of Somika perform their activities in an ethical way and in accordance with laws and regulations and with the standards. Somika sets through its policies, guidelines, and rules; provide all our stakeholders with information on the progress made during 2022 on the implementation of our responsibly sourcing and due diligence commitment, and to provide transparent information on the implementation of our due diligence management system.

Our due diligence system and policy have been designed in line with the expectations of the OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which is considered the best practice framework for responsible sourcing and due diligence in minerals supply chain.

This report is structured around the five steps of this framework:

- Step1: the establishment of a strong management system.
- Step2: the identification and assessment of risks in our supply chain.
- Step3: where risks are identified during step2, the design and implementation of a strategy to respond to identified risks;
- Step4: promotion of third-party audits along our supply chains, and independent audit of Somika's own due diligence system.
- Step5: reporting on supply chain due diligence



STEP 1: ESTABLISHMENT OF A STRING SYSTEM

Somika Group aims to operate as a seamless organization that acts and looks like one company and maximizes the benefits of standard and share approaches for every activity.

The Group objective is to maximize its value and long-term return to shareholders through a strategy of investing in large, cost competitive mines and businesses driven by the quality of each opportunity.

Wherever Somika Group operates, due diligence, health and safety of our employees, and a contribution to sustainable development, are key priorities. We work as closely as possible with host countries and communities, respecting their laws and customs and ensuring a fair share of benefits and opportunities.

As reflected in our policies, Somika is committed to responsible sourcing throughout its supply chain. Recognizing that risks of significant adverse impacts may be associated with the extracting, transportation, handling and operation of minerals, in particular when sourcing from Conflict-Affected and High-Risk Areas (CAHRAs), Somika sets a number of principles in its Responsible Sourcing Policy and continuously strengthens its management system for due diligence.

Responsible Sourcing Policy

Our Responsible Sourcing Policy and Code of Conduct for partners are available on Somika Sustainability Webpage in the section Responsible Sourcing Program. The due diligence is applicable to all our copper & cobalt group workers' material suppliers and service providers.

Internal Management

Somika Chief Compliance Officer (CCO) leads the due diligence system and the audit program. In doing so, The CCO works closely with Procurement on dealing with our business partners. Any potential red flags that arise with regard to the company's sourcing practices. The CCO reports to the board on these issues.

SUSTAINABILITY MANAGEMENT STRUCTURE



In alignment with the framework, Somika 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 gifts and entertainment and dealing 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 concerns might manifest themselves in daily work activities.

To ensure the effective implementation of the Somika Group due diligence framework, respective mine and treatment units has appointed due diligence coordinators whose role is to support the operations and employees in day-to-day business considerations.

The management structure at Somika also includes senior Managers for finance, operations, Human Resources, Community Development, health & safety, security, Procurement and Logistic.

Control and transparency

We maintain a Supply Chain Map of all our suppliers with information about the different tiers down to the origin of the raw materials (When possible). To collect this information, we engage with our suppliers through, among others, sustainability and traceability questionnaires, digital platform, publicly available information, interviews, and on-site visits. All documents accompanying goods are also scanned and archived on our servers, guaranteeing computerized traceability between supplier's document and our unique receipt numbers.

STEP 2: RISK IDENTIFICATION AND ASSESMENT IN THE SUPPLY

In accordance with the recent Implementation on the OECD Guidance, Somika's policy has involved to a risk-based approach to responsible sourcing and consequently does not exclude entire countries from its supply chain unless otherwise required by regulations (e.g., embargo, sanctions).

Human rights, social and environmental risks are identified through below dimensions, not mutually exclusive:

Security and Human Rights

Lubumbashi is a highly populated area with a high poverty rate and Somika requires a security approach which protects people and assets while upholding respect for human rights. We deploy internal and private security to conduct control and containment operations. There is also public security on site (Police des mines), as mandated under the DRC Mining Code. In line with our Human rights policy, Somika is committed to the voluntary principles on security and human rights. Somika applies the Voluntary Principles using 5 steps approach:

- Understanding the risks through cross-functional risk assessment
- Strong engagement with the security providers, incorporated in contractual requirements
- Raising awareness through human rights training
- Internal control including mixed patrols on-site and incident monitoring
- External monitoring vis engagement with community and concerned parties

Ensuring No Child Labor

The presence of child labor in Lubumbashi area is a well-known issue, however it is related to ASM rather than to large-scale operations. Somika 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 contractor/supplier.

Anti-corruption/Bribery

Our position on bribery and corruption is clear. We do not engage in corrupt conduct, and it is unacceptable to offer, pay, authorize, solicit, and accept bribes. The Somika anti-corruption policy sets out conduct expected of each of the employee so that we can respect applicable anti-corruption laws and secure our long-term presence as a responsible business in copper & cobalt operations.

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.

We also conduct risk-based due diligence on third party 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.

Payment to governments

We pay relevant and applicable taxes, royalties and levies required by local and national regulation in DRC. This includes local, national, sales and employment taxes, government royalties and license and permit fees. In addition, we contribute to local economies through our use of 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 extractives activities. We are a supporter of the Extractive Industry Transparency Initiative (EITI) and its principles of transparency and accountability.

STEP 3: RISK MANAGEMENT PLAN

Somika does not purchase any third- party fees, so there are no external suppliers of copper nor cobalt. All the materials processed at the treatment units are from Somika owned operations. Somika 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 Somika Sustainability Supply Chain Framework and include the following:

- Code of Conduct
- Anti-corruption and anti-bribery Policy
- Human Rights Policy
- Sustainability Policy
- Tax Policy

Somika has defined expectations for its suppliers which are specified in the Sustainable Supply Chain Code of conduct. These standards cover all the risks identified in Annex II of OECD Guidance. This apply to all the Somika workers, suppliers/Contractors and are incorporated into supplier/service providers' contract.

Should potential risks be identified through further scheduled risk assessment activities, a risk management plan will be designed and implemented in collaboration with the suppliers and affected stakeholders, where appropriate.

The risk management plan will refer to our Responsible Sourcing policy and the OECD Guidance. The actions will be considered depending on the severity of risk identified, they will be closely monitored, and re-evaluated.

Internal System of control

Chain of custody

Somika maintains direct control over all its copper & cobalt material sources. The material movement is tracked throughout using sampling and measurement systems for mass and quality controls for materials supplied from Kimpe, Kapapa and Lupoto mines.

Before leaving Somika for export, each cobalt bag; copper cathode pallet is sealed and tagged with codes and truck cargo is also securely locked. Its journey to the clients is monitored vis tracking system and a secure chain of custody is ensured through appropriate security escorts and check points.

Grievance Mechanism

Every employee working for Somika, including contractors and suppliers, must promptly raise any situations in which the Somika 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 this platform is communicated as part of the annual training and communication channels (intranet, mail, notices, and signs on-site).

STEP 4: AUDITING

Internal Audits

Internal Audits were conducted with below schedule and criteria:

Internal Audit Date	Audit Criteria
29.03.2022 17.06.2022 30.09.2022	Legal Compliance Business Integrity Stakeholder Engagement Child Labor/Forced Labor/Human Rights Freedom of Association and collective bargaining Discrimination and Harassment/Gender Equality Working Condition (Occupational Health and Safety, Remuneration, Grievance Mechanism) Environmental Management (Resources management, Land acquisition and resettlement, cultural heritage, Biodiversity and protected areas, Indigenous people, waste management, Greenhouse gas (GHG)) Community Health & Safety Supply Chain Due Diligence Transparency & Disclosure
General conclusion upon audits findings	Effective control measure through identified risks: Low

Third-party Audits

As part of our Responsible Sourcing program, we have designed an audit program which includes third-party auditing. Somika's own due diligence system was subject to two independent third-party audits in 2022:

RCS Global Company Mineral Supply Chain Mapping & Responsible Sourcing Annual Audit 31 October – 1 November 2022	RMI Responsible Mineral Initiative (RMI), Responsible Minerals Assurance Process (RMAP) 12 December to 16 December 2022
Audit Criteria: OECD Due Diligence Guidance for Responsible Supply of Minerals from Conflict-Affected and High-Risk areas, 3rd Editions (OECD Due Diligence Guidance) IRMA Critical Requirements from the IRMA Standards for Responsible Mining v.1.0-June 2018.	Audit Criteria: Responsible Mineral Initiative (RMI), Responsible Minerals Assurance Process (RMAP) OECD Due Diligence Guidance for Responsible Supply of Minerals from Conflict-Affected and High-Risk areas, 3rd Editions (OECD Due Diligence Guidance) IRMA Critical Requirements from the IRMA Standards for Responsible Mining v.1.0-June 2018

STEP 5: REPORTINGS

This Supply Chain Due Diligence Report fulfils our reporting expectations and is available on Somika website (www.somika.com)

