

Fair Cobalt Alliance

June 2020

Fair Cobalt Alliance (FCA)

The demand for cobalt is widely expected to remain strong and, although recycled content will play a significant role in the future cobalt supply mix, the need for the raw material will not diminish materially, especially over the next five to ten years. Currently, half of the supply comes from the Democratic Republic of Congo. While 80% of the cobalt from the DRC originates from large scale mining operations (LSM), a significant portion (approx. 20%) is extracted by artisanal and small scale miners and diggers (ASM). While only representing ~20% of production, ~ 90% of all cobalt miners work in artisanal mining.

Background

The demand for cobalt is widely expected to remain strong and, although recycled content will play a significant role in the future cobalt supply mix, the need for the raw material will not diminish materially, especially over the next five to ten years. Currently, half of the supply comes from the Democratic Republic of Congo. While most of the cobalt (~80%) from the DRC originates from large scale mining operations (LSM), still a significant portion (~20%) is extracted by artisanal and small scale miners and diggers (ASM). While only representing ~20% of production, ~90% of all cobalt miners work in ASM.

Despite it providing many thousands of jobs directly and contributing to livelihoods of even more households indirectly, ASM has a history associated with mining practices that fall below the expectations of buyers on international markets for decent work, good governance and environmental management. ASM is often characterised by dangerous working conditions, child labour and limited access to legitimate, transparent markets

raising the question if local workers are receiving a fair share of the wealth generated, before cobalt gets traded and processed internationally. Furthermore, artisanal miners have few alternative income sources that are as easily accessible or with similar levels of pay and ready cash flow.

Reports on child labour and hazardous working conditions at artisanal cobalt sites were brought to light by international NGOs and media, resulting in many downstream companies resorted to a policy of disengagement, officially excluding ASM sources from their supply chains. The cobalt supply chain is, however, complex. The material passes through many different processes and changes in ownership and possession before reaching a battery maker or industrial application. Therefore, while possible, ensuring the absence of cobalt from a particular mine site or even a country, is problematic and requires considerable effort and expense. Furthermore, unilateral disengagement, or even a collective ban, is unlikely to incentivise change to improve the working conditions and operational practices at ASM sites. As has been witnessed in



Pictured: Cobalt mining site, gemstone malachite and freshly washed cobalt.



the tin industry in the DRC, a too rapid reaction by downstream markets can instead lead to harmful effects on the very people and communities that are the subject of our concern. Downstream disengagement from or a ban of ASM sites also do not constructively address the issues leading to child labour and hazardous working conditions in the first place, denying any responsibility of supply chain actors to contribute to jointly developing a viable solution instead.

Mining necessarily disturbs large areas of land and can trigger significant changes in local economies, culture and communities. When managed well, however, and with respect for workers and local customs and avoiding and minimizing

environmental impacts, mining becomes a significant motor for local development. In the case of cobalt, as with many other industrial minerals, the world relies on the production of this metal to enable a transition to a green economy.

The Fair Cobalt Alliance therefore engages and invests in the good management and professionalisation of ASM-produced cobalt to contribute to the flow of responsible material to a growing market and improve the lives of those workers on whom we depend. Where necessary, this strategy will include supporting the transition of illegal, unsustainable and/or unsafe ASM to sustainable, alternative livelihoods.

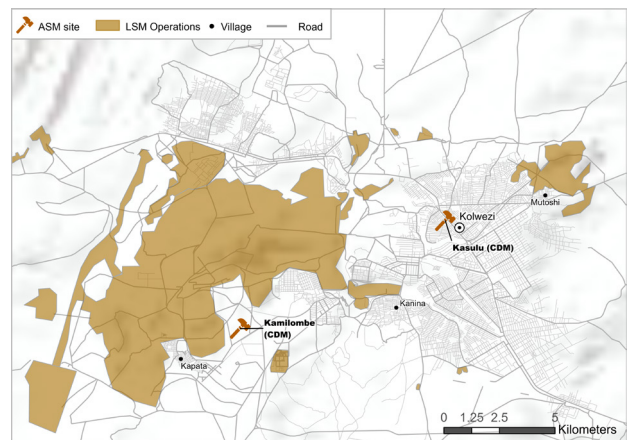
The programme

The Fair Cobalt Alliance focuses on having a measurable positive impact; this means not only eliminating the negative effects to workers and ecology associated with mining activities, but also catalyzing positive sustainable development outcomes in mining communities. Progressive improvement towards overall Impact Performance Indicators is therefore a critical aspect of the programme. In an effort to address the root causes that perpetuate high risks associated with artisanal mining, the FCA employs impact measurement, not only at the ASM mining sites directly, but also within the broader community. The FCA focuses on five Impact Areas.

Mining Sites

While our initial programme focuses on two project sites, located at Kasulu and Kamilombe, our ambition is to scale and replicate the approach

across all ASM sites that have viable reserves and show a commitment to continuous improvement. In order to achieve tangible performance improvements, the first two ASM mining sites, together with the programme partners, agreed on a realistic plan, budget and timeline.



The Improvement Plans for the mining sites are developed on the basis of a baseline assessment and include clear responsibilities for implementation and financing as well as timebound, measurable 'milestones'. Aligning with the expectations of relevant international standards, the Fair Cobalt Alliance's environmental, social and governance (ESG) framework distinguishes three levels of performance, allowing participation of any mine genuinely committed to improvements, upon compliance with basic sourcing expectations. This approach focuses on driving net-improvements, and achieving best practice over time, through collaboration and structural investments by the entire supply chain. Activities, among others, include the removal of dangerous pits and improvement in mine infrastructure, provision of appropriate PPE, health & safety training, management capacity training of mine operators, development of an environmental plan, and the implementation of fair trading practices.

Community Programmes

Broader community programmes are co-designed by and implemented through local NGO partners. In order to tackle and prevent child labour in the communities the programme supports education for children as well as vocational training for young adolescents. Understanding the importance of building financial literacy and establishing a culture of saving money and investing at a household level, the programme also sets out to support local initiatives promoting business and financial literacy,

as well as saving group schemes. As a next step, the Impact Facility will identify opportunities to foster local entrepreneurship and alternative livelihoods through the provision of relevant training, business mentorship and access to financial services and loans.

Market acceptance of Fair ASM Cobalt

The FCA believes that through market acceptance of the ASM Cobalt coming from the mines in scope of improvement, the required investment can be mobilized within and outside the supply chain to address ASM issues systematically, and to transform the entire region mine by mine. Acknowledgement of a supply chain wide responsibility to support constructive engagement of ASM poses a first step towards responsible ASM engagement. As founding members of the FCA, Fairphone and Signify have already committed to the offtake of the ASM material from the mine-sites in scope of this alliance, seeking physical integration in their supply chains. The alliance is developing a model for supply chain integration of ASM Fair Cobalt. It builds upon book and claim and mass balance models, looking at what has already been done in other commodity supply chains. This is how the improvement of mine practices and people's lives in the mining communities can be integrated in a cost-efficient and pre-competitive way in the physical supply chain and opened up to downstream businesses whose resources or policies make direct sourcing difficult. The alliance partners intend to grow its efforts for Fair Cobalt through scaling and replication of this approach.



Will you join?

Investments are needed to reach the desired impact in our first ASM site improvement and mining community projects. The total budget of the 3 year programme is 4,600,000 USD for work focussed on Kamilombe and Kasulu. Fairphone, Signify, Huayou and the Dutch Ministry of Foreign Affairs secure up to 60% of this budget. We welcome other industry partners to join us. Your contribution will directly improve ASM health and safety, reduce child labor, improve production levels and miners' income, overall improving livelihoods of the cobalt miners and communities.

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Founding partners



Zhejiang Huayou Cobalt Co. was founded in 2002. It is a high-tech enterprise specializing in the manufacture of new energy materials for lithium battery, deep processing of new materials for cobalt and mining, processing and smelting of non-ferrous metals, such as cobalt and copper. As a leading Li-ion battery cathode material producer, Huayou Cobalt is fully committed to ensuring responsible and sustainable supply of products through supply chain due diligence in compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas. Huayou has implemented several on-the-ground 'livelihood' and 'child labour' projects to help improve the livelihood of affected communities related to mines of the cobalt supply chain in the DRC. With this project of the Fair Cobalt Alliance Huayou also invests in the formalization of ASM in DRC. Huayou sincerely believes that making unremitting efforts by taking joint actions with upstream and downstream members to build an inclusive, harmonious, responsible cobalt supply chain is the real contribution to the development of the socioeconomic development of DRC.

www.huayou.com



Signify (previously known as Philips Lighting) is a global operating company in the Lighting Industry, with a long history in sustainability and the promotion of responsible supply chains. It is one of the first companies to pilot the OECD Guidelines for Responsible Mineral Supply Chains and, since then, has engaged in many international multi-stakeholder initiatives for responsible minerals, such as the Responsible Minerals Initiative, the EPRM and the Global Battery Alliance. The company's main activities in this project will be directed at the integration of responsible ASM Cobalt into its supply chains, including mapping the supply chain actors, and cooperation to create transparency in the responsible ASM Cobalt supply chains. Additionally, Signify will disseminate our learnings to others, including the international stakeholder initiatives.

www.signify.com



The Impact Facility was designed to empower artisanal and small-scale mining (ASM) communities and enable diversification and long-term viability of mining economies generally. The Impact Facility has partnered with the other members of the Consortium to provide systemic solutions to the complex issue of child labour, by driving measurable change to make mines safer and ensure school attendance, as well as measures to stop children from entering hazardous employment, and a broader effort to foster alternative employment opportunities by channelling impact investment and expert support of local entrepreneurs.

www.impactfacility.com



Fairphone is a social enterprise that is building a movement for fairer electronics. Fairphone seeks to open up supply chains and create new relationships between people and their products. By creating a smartphone, the company is using commercial strategies to maximize its social impact at every stage of the supply chain, from sourcing to recycling. It has developed, in partnerships with industry, NGOs and civil society, several transparent supply chains of minerals to be used in smartphone production. As the company has a supply chain and is aware of the needs and requirements throughout, its main activities in this project will be directed at developing a replicable supply chain model to enable the offtake of more responsible cobalt and integrating the cobalt in the supply chain.

www.fairphone.com