



## Ambatovy Due Diligence (“OECD Step 5”) Report

Prepared for the Responsible Minerals Initiative  
Responsible Minerals Assurance Process (RMI-RMAP)  
September 2023





## FOREWORD

Ambatovy's vision is to be recognized as a successful and responsible producer of high-quality nickel and cobalt that creates lasting value for all stakeholders and that contributes to sustainable development in Madagascar. In this light Ambatovy supports the Responsible Minerals Initiative's Responsible Minerals Assurance Process and commits to adhere to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as the Cobalt Standard.

### 1. Company Information

- a. Ambatovy is a joint venture enterprise held by two shareholders: Sumitomo Corporation and Korea Mine Rehabilitation and Mineral Resources Corporation (also known as KOMIR). Ambatovy is comprised of two companies: Ambatovy Minerals S.A. (AMSA) and Dynatec Madagascar S.A. (DMSA), established and incorporated in Madagascar and which, together, are responsible for the day-to-day operations. AMSA is the holder of the mining title and operates the Mine Site. DMSA manages the Plant Site and all the activities related to it, including the Pipeline.
- b. RMI CID number for Cobalt: 003232  
RMI CID number for Nickel: 003968
- c. The company's Mine Site is located just north of the town of Moramanga, Madagascar, approximately 80 km east of the country's capital. The company's Plant Site, comprised of a Processing Plant and a Refinery, is located at Toamasina, Madagascar. A 217 km closed Pipeline connects the Mine with the Refinery and is operated exclusively by Ambatovy. An auxiliary office in Antananarivo provides administrative, legal and communications support to both locations and serves as a liaison with government offices and international organizations as well as with the media and business sectors. Ambatovy also operates a port facility and a Tailings Management Facility.
- d. The materials produced are Class 1 (99.9%) Nickel briquettes and pure (99.9%) Cobalt briquettes or powder. By-products of the refining process are Ammonium Sulphate and Copper-Zinc alloy. No external ore is used. The ore body at our Mine consists of two lateritic ore deposits, entirely and exclusively located in Madagascar: the Ambatovy and Analamay deposits. The nickel and cobalt feed, sourced solely from our own mining operations, is delivered as slurry from the Mine to the Plant Site through the 217 km closed pipeline.
- e. This is the first "Step 5" report and it coincides with the period of the Conformity Certificates issued to Ambatovy by RMI. The period is 13 April 2022 through 13 April 2023. As the re-certification audit by RMI is scheduled for 11-12 September 2023, this report is extended through to 25 August 2023 (to be uploaded on the RMI-RMAP audit platform). Subsequent reports will follow the calendar year, with the exception of the next report which will cover the period 1 October 2023 through 31 December 2024.

## 2. Responsible Minerals Assurance Process (RMAP) Assessment Summary

- a. Date of last RMAP assessment: 13 April 2022 (validity period: one year)
- b. Assessment period: 06 December 2020 to 06 December 2021
- c. Assessment firm: Arche Advisors
- d. URL link to R-MAP initial assessment report: [RBA-Online](#)

## 3. Company Supply Chain Policy

- a. In consultation with third-party risk assessment consultants, Ambatovy has assessed all risks described in the OECD Annex II (detailed in Section 5 below). The first company policy on Responsible Sourcing was approved by Ambatovy's Senior Management in March 2023 and posted publicly on Ambatovy's website. The updated version, including a specific reference to the Cobalt Standard's reference to workers' physical and mental health was approved and posted on the website in September 2023. The company also has a Supplier Code of Conduct and a Health & Safety, Environment, Community and Quality policy. Of further relevance are our Human Rights Policy, our Integrity Guide and our Security Policy.
- b. All policies of relevance to suppliers are accessible through: [Our Policies - ambatovy](#).

## 4. Company Management System

### a. Management Structure.

Ambatovy follows through on its commitments in its Responsible Sourcing Policy and its Supplier Code of Conduct Policy. As due diligence in general and responsible sourcing in particular cut across several departments, overall responsibility for policy implementation lies with Ambatovy Senior Management. Responsibility for day-to-day implementation lies with the Supply Chain Management Director. The company's Management System was deemed compliant as part of the last RMAP Assessment and will see further operationalization of our organizational structure in the coming year where it concerns maintaining the integrity of our nickel and cobalt ore supply chain. Ambatovy's approach to addressing the OECD's main risks is outlined in Section 5 below.

### b. Internal Systems of Control.

Ambatovy is committed to adhering to the five-step due diligence process outlined in the OECD Guidance. Specifically, Ambatovy commits to:

- Establishing or maintaining strong company management systems. Company-wide, Ambatovy has been externally re-certified in 2023 on quality management (ISO 9001). Regarding health and safety, Ambatovy underwent an ISO 45001 audit and is expecting its certificate before the end of 2023. Regarding environmental performance, Ambatovy underwent ISO 14001 certification, and is expecting its certificate before the end of the year as well. Regarding Responsible Sourcing, Ambatovy underwent a re-certification process under RMI RMAP, with the expectation of being declared conformant for both nickel and cobalt this year of 2023.
- Identifying and assessing risks in the supply chain (see section below).

- Designing and implementing a strategy to respond to such risks (see section below).
- Carrying out independent third-party audits along identified points in the supply chain. Ambatovy underwent a field audit to be re-certified by an external auditor assigned by RMI in September 2023.
- Reporting on supply chain due diligence. This report is the first report and it mirrors the reporting template provided by RMI.

c. **Record and document keeping.**

Ambatovy adheres to ISO 9001 requirements for “documented information”. Depending on the nature of the records, different times are followed for different types of records (see our policy: IMS-PRO-001, 24 February 2023). For OECD related documents, a retention time-frame of five years is maintained.

Archiving is done digitally on Secured Company Drives. Records and documents of interest across the company are stored on the company drive, allowing company-wide access. Other documented information is kept on secured departmental drives.

## 5. Risk assessment

The foundation for the RMI RMAP assessment for Ambatovy centers on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas as well as the Cobalt Standard. The case of the Ambatovy supply chain is particular, as it entails a single source, mined by Ambatovy exclusively in Madagascar, transported by Ambatovy, processed and refined by Ambatovy, with no third-party ore entering the supply chain. This is an important point explicitly verified by the external RMI RMAP auditor.

The following section highlights how Ambatovy is assessing and addressing the OECD Due Diligence Guidance Annex II identified risks which can have significant adverse impacts that may be associated with extracting, trading, handling, and exporting minerals globally, and especially from conflict-affected and high-risk areas 1. These risks include:

- a) Serious abuses associated with the extraction, transport or trade of minerals. Ambatovy’s chain of custody and traceability is straight-forward as there exists only a single supply chain originating from the Ambatovy mine. Transport is being assured through a closed slurry pipeline also owned and controlled by Ambatovy. Volumes of ore are measured by weight and by flow at the Mine Site where the ore enters the Pipeline and again at the exit of the pipeline as the slurry enters the processing facility. The refinery works in tandem with the processing facility, which needs to be constantly adjusted in tune with the quantity and quality of ore passing through the pipeline. The refined end-products are sampled and analyzed in the on-site Ambatovy owned laboratory. Packaging is done according to customer specifications and accompanied by the supporting documentation. The product is transported to the port for export under Ambatovy security and in locked and marked containers, whereupon they enter a Government controlled and secured

customs area, prior to shipping. Shipping is done by third parties under contract with Ambatovy and is accompanied by a Bill of Lading and other supporting and contractual documents identifying the product. Responsibility of Ambatovy ends upon docking at the port of destination where the customer responsibility begins.

- b) Child labour. Under serious abuses, Ambatovy includes child labor (not only the worst forms of child labor, but any child labor) and human rights abuses. Ambatovy closely adheres to Malagasy law and does not hire any person below the age of 18. This includes rigorous identity checks by our Human Resources department.
- c) Grievances. Ambatovy furthermore strictly applies its policies on workplace harassment and has a robust system in place to address any grievances that employees, contractors, suppliers or the wider community may have. This includes a Whistleblower Policy. Under the Contacts tab on the Ambatovy website, is an email address to submit any grievances. Ambatovy reports publicly on grievances in its annual sustainability report (also available on the Ambatovy website at <https://ambatovy.com/en/media/reports/>).
- d) Supplier engagement. Ambatovy's supply chain of nickel and cobalt ore is particular in that there is only one supply chain and it is owned and operated exclusively in Madagascar by Ambatovy itself. The Know-Your-Supplier process is therefore not applicable.
- e) Direct or indirect support to non-state armed groups. Following a rigorous annual CAHRA assessment, it was established that there are no non-state armed groups in Madagascar. Armed robbery does exist however, mainly in the south of the country.
- f) Public or private security forces. Ambatovy contracts security to private security companies, currently to HAP and G4S. As private security does not have jurisdiction outside of Ambatovy properties (Mine Site, Plant Site, Tailings Facility, ammonia storage site, port, private airstrip, and administrative offices), Ambatovy has enlisted support of government security forces (gendarmerie, police and army). Both public and private security forces undergo security training according to the international standard VPSHR (Voluntary Principles on Security and Human Rights). A refresher training is scheduled every six months.
- g) Bribery and fraudulent misrepresentation of the origin of minerals. Bribery and other forms of corruption are expressly forbidden and cause for instant dismissal and potential judicial recourse. Ambatovy is governed by its Integrity Guide, which details the respective forms of bribery and corruption, including bribing of government officials and a policy on gifts.
- h) Bribery and corruption in reporting to Government. Since Madagascar became an EITI candidate country in February 2008, Ambatovy has been a strong supporter of the EITI process and an active member of the Multi-Stakeholder Group (known as the National Committee in Madagascar), comprised of representatives from government, extractive



industry companies, and civil society. During the period covered by this Step 5 Report, Ambatovy continued its active participation on the National Committee of EITI Madagascar. Important work of EITI Madagascar during the year included: finalizing and publishing the 2020-2021 reports in June; publishing a study to take stock of systematic disclosure in Madagascar and to make recommendations for moving forward in this regard; working on the revision of the legal status of EITI Madagascar as a public administrative institution in order to ensure its long-term viability and sustainability; starting preparations for the third validation that will be carried out by EITI International in 2023 to assess EITI Madagascar's progress against the standard; and conducting some awareness-raising, sensitization and training activities with different stakeholder groups on issues related to governance in the extractive sector.

- i) Money laundering. Considering the particular character of the single, Ambatovy-owned and operated supply chain and the nature of the mineral itself (as opposed to, for example, gold), the risks are considered highly unlikely.
- j) Payment of taxes, fees and royalties due to governments. A specific unit within Ambatovy's Finance Department is charged with ensuring full and proper payment of all taxes, dues and royalties due to the Government of Madagascar. Ambatovy publishes the total amounts paid each year in its Annual Sustainability Report. In 2022, the payments to government totaled \$46 million.
- k) Risk of conflict, severe human rights abuses, money laundering and mineral fraud. In order to be in line with LME Responsible Sourcing requirements, in late 2021/early 2022, Ambatovy commissioned a first CAHRA assessment to determine whether Madagascar should be considered a conflict-affected and high-risk area as per the OECD definition. The CAHRA assessment was carried out by an independent third party with expertise in ESG risks in Madagascar's mining sector areas. The report concluded that Ambatovy does not source from, produce in or transit through any CAHRAs.

The methodology that was developed and adopted for that first assessment allows Ambatovy to do regular updates on the status of Madagascar. As such, Ambatovy updated the CAHRA assessment in July 2023 and re-confirmed that the company does not source from, produce in or transit through any CAHRAs.

The CAHRA assessment tool that Ambatovy uses is comprised of three phases in order to gain a thorough understanding of the operating context and to determine whether Madagascar is a CAHRA:

- a. **Country Issues Review**: to consider updated information on Conflict, Human Rights and Governance issues in Madagascar (respecting the RMI RMAP guidelines). It includes a comprehensive literature review that goes into further detail, particularly at the subnational level.
- b. **Status and Severity**: to assess against 12 relevant indicators in order to identify the status and severity of risks and issues of concern in Madagascar. Ambatovy draws upon its external relationships, expert sources and local media to inform further monitoring and assurance, both at national and subnational levels.



- c. CAHRA Assessment: to determine whether the area of focus is in a state of armed conflict, a fragile post-conflict area, or part of a failed state.

## 6. Conclusion

Under the guidance of the Supply Chain Management Director, a dedicated inter-departmental team is tasked with tracking implementation of Ambatovy's Responsible Sourcing Policy. The main method for tracking performance and recommending continual improvement is an annual self-assessment which follows the Assessment Workbook used in external RMI audits. In addition, Ambatovy will conduct an annual re-assessment of the risks of conflict and human rights abuses following its CAHRA assessment tool. Any significant changes and corresponding mitigation measures will be highlighted, with recommended mitigating actions brought to the attention of Senior Management. Results will be published in the annual Due Diligence Report, which will be referenced in the annual Sustainability Report.