



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

**Covering the Period: 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023**

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

2023

## FOREWORD

Since several years, Ambatovy adopted a vision which is “to be recognized as a responsible and successful producer of high-quality Nickel and Cobalt that creates lasting value for all stakeholders while contributing to sustainable development in Madagascar. In line with this commitment, Ambatovy fully supports the Responsible Minerals Initiative’s Responsible Minerals Assurance Process (RMI-RMAP) and adheres to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as the Cobalt Refiner Supply Chain Due Diligence Standard.

### 1. Company Information

- a. Ambatovy is a joint venture between Sumitomo Corporation (Japan) and the Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR). Ambatovy is a fully integrated project with a laterite mine, operated by Ambatovy Madagascar S.A (AMSA) in Moramanga, supplying through a 217km pipeline, raw ore to the metallurgical plant operated by Dynatec Madagascar S.A (DMSA) in Toamasina. Together, AMSA and DMSA operate under the unified name "Ambatovy."
- 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 outcomes of the refinery are qualified as a Class 1 (99.9 %) Nickel briquettes and pure (99.9%) Cobalt or powder. By-product of the refining process are Ammonium Sulphate and Copper Zinc alloy. No external ore is introduced. 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. The ore is delivered as slurry from the Mine to the Plant Site through the 217 km closed pipeline.
- e. This is the second Annual Ambatovy due Diligence “OECD Step 5” report covering the period of January 1, 2023 to December 31, 2023.

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

- Date of first RMAP assessment: April 13, 2022 (Validity: One year)
- Assessment period for the first RMAP assessment: December 6, 2020 - December 6, 2021
- Date of last RMAP assessment: September 11 – 13, 2023 (Validity period: One year)
- Most recent assessment period: July 12, 2021 – July 31, 2023.
- Assessment firm: Arche Advisors

- URL link to the most recent RMAP assessment report: [Reports - Ambatovy](#)

### 3. Company Supply Chain Policy

- a. A company policy on Responsible Sourcing was subsequently 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 and stakeholders are accessible through the following link: [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. Day to day implementation responsibility lies with the Supply Chain Management Director. Under this later, Ambatovy Local Business Initiative (ALBI) were created in order to ensure the onboarding process for all providers.

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. Specially, Ambatovy commits to:

- Establishing and maintaining strong company management systems. Environmental and Occupational Health and Safety Management Systems are implemented for both Ambatovy AMSA and DMSA companies since 2014.
- Company-wide, Ambatovy DMSA has been re-certified by AFNOR in July 2023 on Quality Management System (ISO 9001) for its Refinery, analytical, shipping process of Nickel, Cobalt and Ammonium Sulfate products.
- Regarding health and safety and environmental engagement, Ambatovy DMSA has been certified by AFNOR in September 2023 for the first time in ISO 45001 and ISO 14001 related to Occupational Health and Safety and Environment Management Systems.
- Regarding Responsible Sourcing, Ambatovy underwent a re-certification process under RMI RMAP, with the expectation of being declared conformant for both Nickel and Cobalt for the year of 2023.
- Identifying and assessing risks in the supply chain and designing and implementing a strategy to respond to such risks (see section 5.)

- 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.
- Conduct internal audit related to ISO 9001, ISO 14001 and ISO 45001 compliance, Human Rights, Voluntary Principles on Security and Human Rights (VPSHR) and all company policies compliance.

**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 procedure: 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. Ambatovy’s case is considered as a specific one as it entails a single source. The ore is mine by Ambatovy Exclusively in Madagascar, transported by Ambatovy, processed and refined by Ambatovy, with no third-party ore entering the supply chain. Ambatovy do not buy an intermediate product. These are the important points explicitly verified by the external auditor. The mineral traceability in the field were evidenced and supported by our annual production report.

In consultation with third-party risk assessment consultants, Ambatovy has assessed all risks described in the OECD Due Diligence Guidance Annex II. The following section highlights how Ambatovy is assessing and addressing the 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. 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 and its contractors closely adheres to Malagasy law and does not hire any person below the age of 18. Several processes allow to check the age of employees working for Ambatovy such as: hiring process, administrative checks, medical check before the onboarding process.

**c. Grievance Mechanism.**

Ambatovy furthermore strictly applies its policies on workplace harassment and has a robust system in place to address any grievances that employees, contractors, suppliers and 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.**

The company run the CAHRA assessment in order to evaluate the risk of conflict in Madagascar. it was established that there are no non-state armed groups in Madagascar, however, armed robbery group exist, mainly in Toliara, the south region of Madagascar. Our mining exploitation is located on the East side of Madagascar, this conclude that Moramanga and Toamasina where we operate are not concerned to a direct or indirect support to non-state armed groups.

**f. Public or private security forces.**

Ambatovy contracts security to private security companies, currently to HAP and G4S. 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. 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. Ambatovy employees and external stakeholders are encouraged to report any suspicions of Bribery and fraud to the whistleblower system.

**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 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 2023, payments to government totaled US \$89.4 million compared to US \$46 million in 2022.

**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:

- 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.
- 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.
- 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.



*This report covers the period from January 1, 2023 to December 31, 2023.*

*It was established in March 2024.*