



CMOC KISANFU MINING S.A.R.L.  
En abrégé KFM  
N° RCCM: CD/KWZ/RCCM/22-B-00007  
Identification Nationale : 14 -B0500- N42601N  
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MINING, Localité kisanfu, Groupement Nguba, Chefferie de  
Bayeke, Territoire de Lubudi, Province du Lualaba, République  
Démocratique du Congo

## **2023 CMOC KISANFU MINING**

### **Responsible Mineral Supply Chain Due Diligence Report**



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## Introduction

This report provides information on mineral supply chain due diligence for CMOC KISANFU MINING SARL. (KFM). It is focuses on the scope of the OECD Due Diligence Guidance for Responsible Supply Chains from Conflicted-Affected and High-Risk Areas (the "OECD Guidance"). Information in this report reflects the reporting period from January 1, 2023 to December 31, 2023. Additional information that is relevant to the subject matter of this report and derived from events in 2024 prior to the publication date may also be included to ensure that stakeholders have full access to material information.

Located in the Democratic Republic of the Congo (DRC), KFM is one of the world's largest cobalt and copper projects. In December 2020, it was acquired by CMOC Group Limited (hereinafter CMOC), which currently holds a 71.25% stake in the company. The KFM mine contains vast untapped reserves of cobalt and copper, and has created significant synergies with the operations of Tenke Fungurume Mining SA. Production began in the second quarter of 2023, with the site producing 114 kilotonnes of copper and 34 kilotonnes of cobalt that year.

KFM acknowledges the human rights, health and safety, and environmental risks associated with its operations and supply chain, and integrates ESG considerations into its operational decisions. Committed to ethical and responsible business practices within its operations and supply chain, KFM is progressively establishing a "Responsible Production Management System" (RPMS) in accordance with CMOC policies and the international best practices described in the OECD Guidelines.

By establishing these frameworks, KFM is dedicated to adopting robust methods to manage risks associated with responsible production and to enhance the ESG performance along the mineral value chain. The RPMS enables KFM to achieve greater transparency, build stronger relationships with business partners, and meet external stakeholders' expectations for risk management and data sharing.

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

In 2024, KFM plans to undergo its first third-party audit under the Responsible Minerals Initiative (RMI) Responsible Minerals Assurance Process (RMAP). Preparations are already underway, with the audit set to be conducted against the RMI Cobalt Refiner Due Diligence Standard (2021) and the Global Responsible Sourcing Due Diligence Standard for Mineral Supply Chains – All Minerals. The on-site audit is scheduled for October 2024.

KFM's RMI identification number is CID004811/CID004812.

## 2. Management System Overview

### 2.1 CMOC's Responsible Production Management System

CMOC's compliance and sustainability policies set out the key principles and performance expectations that all CMOC operations must follow, including KFM. Group policies relevant to responsible supply chain management include Responsible Production and Sourcing Policy, Code of Business Conduct, Supplier Code of Conduct, Human Rights Policy, Anti-Corruption Policy, Anti-Money Laundering Policy, and Economic Sanctions Policy. In addition, CMOC maintains a grievance mechanism that is accessible to all stakeholders to raise concerns, without fear of retaliation, regarding the circumstances of extraction, trade, handling, and export of minerals in the Group's operations and supply chain.

CMOC is committed to the ethical and sustainable business practices in its operations and supply chain, and expects our suppliers and partners to share our commitment. Based in the DRC, KFM is one of the key producers of copper and cobalt in the region. The sourcing, manufacturing, transport, and delivery of these metal materials may pose environmental and social risks to the ecosystem and people within those supply chains. Our group policies and due diligence procedures at our operating sites are the core of our management system allowing us to proactively manage these risks in our own operations and supply chain.

CMOC's commitment is defined in the Responsible Production and Sourcing Policy (the "RPSP Policy") which was published in May 2023 and is progressively being implemented. This RPSP Policy applies to all CMOC's global mining, processing and trading operations and its suppliers of mined and/or recycled material intended for the production of metal products.

Guided by the RPSP Policy, CMOC has established a Responsible Production



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Management System ("RPMS") based on internationally recognized standards including the OECD Guidance. The RPMS comprises a set of policies, procedures, and tools to identify, assess, mitigate, monitor and report on risks in its operations and supply chain. The Responsible Production Procedure (the "Procedure") is a key component of the RPMS which outlines a step-by-step process for CMOC to manage OECD Guidance Annex II risks in its operations and report on responsible production. The procedure follows the OECD Guidance 5-step framework for risk-based due diligence in the mineral supply chain. The risk scope of the RPMS aligns with the Annex II of the OECD Guidance (see below table).

OECD Annex II Risks	Description
Serious Human Rights Abuses	Any forms of torture, cruel, inhuman and degrading treatment, any forms of forced or compulsory labour, the worst forms of child labour, other gross human rights violations and abuses such as widespread sexual violence, war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
Direct or Indirect Support to non-state Armed Groups or Private Security Forces	Illegal taxation or extortion by non-state groups or public or private security forces, illegal control of mine sites, transportation routes or upstream actors by non-state armed groups or public or private security forces.
Financial Crime Associated with Minerals Extraction and Trade	bribery and fraudulent misrepresentation of the origin of minerals, money-laundering, non-payment of taxes, fees and royalties due to governments.

The RPMS across the entire group is overseen by the Vice President in charge of ESG at CMOC. Each operating unit has a designated Environmental, Social, and Governance (ESG) Officer, who reports to both the site's CEO and the group's Vice President in charge of ESG. This position is responsible for supervising responsible production risk management and ensuring the implementation of the RPMS within the operating units.

## 2.2 KFM's Policies and Approaches

KFM does not purchase or process any third-party minerals or metals, the risks<sup>1</sup> in scope of the OECD Guidance are within KFM's own operations. These risks are managed through KFM's Responsible Production Management System which aligns with CMOC's group-level policies while reflecting its specific operational context. KFM applies CMOC Responsible Production and Sourcing (RPSP) Policy which expresses KFM's commitment to uphold responsible business practices in its operations and supply chain, and implement the RPMS. The CMOC RPSP Policy outlines our commitment to continuously carry out appropriate due diligence in the mineral supply chain and ensure responsible production of minerals in line with the OECD Guidance. This Policy is consistent with CMOC's commitments to ethical business conduct and to respecting human rights as outlined in the CMOC Code of Business Conduct, Human Rights Policy, Anti-Corruption Policy, and Supplier Code of Conduct.

The Responsible Production Management Procedure (RPMP) is a critical component of the Responsible Production Management System (RPMS), which outlines how CMOC manages risks outlined in Annex II of the OECD Guidelines within its operations, and reports on its responsible production activities. Reflecting the operational context of the DRC, KFM has also developed specific standards and procedures related to bribery and extortion, charitable donations, support for government officials, as well as safety and human rights.

The KFM Compliance Officer, who also serves as the site's ESG Head, is responsible for overseeing the implementation of KFM's Responsible Production Management System. The company's specialist management staff or committees are tasked with executing specific projects such as human rights due diligence and grievance mechanisms. Under the supervision of the site ESG Head, various functional/responsibility departments identify, analyze, and assess risks based on the onsite situation, and oversee the implementation of control measures and mitigation plans. All risks outlined in Annex II of the OECD Guidelines are assessed, and corresponding mitigation plans are developed and implemented.

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<sup>1</sup> The OECD Guidelines, Annex II, explicitly define the risks within its scope, including severe (human rights) abuses, support for non-state armed groups, support for (illegal) security forces, bribery and misrepresentation of mineral origins, as well as money laundering and failure to pay taxes and royalties.

## 2.3 Training

All KFM employees are required to undergo both induction and annual refresher training sessions, where they learn about policies and standards set by the group and specific to the mining site, including CMOC's Code of Business Conduct, Responsible Production and Sourcing Policy, Anti-Corruption Policy, Human Rights Policy, among others. Training topics cover key issues such as health and safety, human rights, grievance mechanisms, facilitation payments, anti-bribery and corruption, and interactions with public officials. All employees and contractors must complete this training upon joining and participate in at least one refresher training annually. Additionally, specific training sessions are conducted for departments identified as high-risk, including Voluntary Principles on Security and Human Rights (VPSHR) training for private and public security teams, as well as anti-corruption and compliance training for management personnel.

## 2.4 Internal systems of product control and custody

We implement strict product control and custody procedures to ensure that KFM only mines, processes, and sells minerals from its own concession using its own operations. The KFM site is fully fenced off from the surrounding community, with security personnel stationed at entry and exit points to minimize the potential for illegal artisanal mining. We have a process to determine, record, and confirm that all ores are mined from our pit, and each batch of ore fed into the process plant is weighed. All weight-related data is stored in a database. In addition, KFM has a comprehensive system to track its copper and cobalt products through each transfer point to final delivery to customers.

Before leaving KFM for exporting, each individual cobalt bag is sealed and tagged with bar codes, and each bundle of copper cathodes is also labelled with bar codes. The codes contain all necessary information for the traceability of the products. The bags or bundles are loaded on trucks, securely locked and the cargo is covered with tarpaulins. The overland transport to port is overseen by CMOC and its's logistic contractor who have a tracking system to monitor the truck's journey to export and subsequent shipping ports. Appropriate security escorts and checks along the road ensure a secure chain of custody.

## 2.5 Grievance mechanisms

CMOC maintains a grievance mechanism that allows all stakeholders to raise concerns without fear of retaliation. These concerns can include issues related to employees, the environment, community investment, human rights, land use, and contractor management. Through both group- and subsidiary-level grievance channels, stakeholders can anonymously report any grievances related to, or suspected violations of, the law or CMOC's policies, including the Code of Business Conduct, Responsible Production and Sourcing Policy, Supplier Code of Conduct, Human Rights Policy, and Anti-Corruption Policy.

At the Group level, complaints are investigated and resolved by the legal and compliance or the anti-corruption department, depending on the nature of the complaint. All mining operations and the trading arm IXM also maintain dedicated grievance systems that can receive and register concerns from employees, the community, and other stakeholders. These concerns are then tracked through the various stages of being addressed and resolved.

KFM also has local grievance mechanisms that allow all community members, including KFM employees and contractors, to present grievances related to the impacts of our operations. The community grievance system is managed by the Community Liaison team, while employee grievances are handled through multiple channels, including the compliance team, HR department, and HSE department. Training is provided to employees, contractors and local community members to raise awareness of existing grievance mechanisms. In addition, community members can participate in the resolution of grievances through an independent mediation committee. Both community and employee mechanisms enforce a zero-tolerance policy for retaliation against those raising concerns.

Information gathered through these grievance mechanisms informs the overall risk assessment and responsible sourcing process.

## 2.6 Record keeping system

CMOC has a Group-level Archives Management Policy that outlines our commitment to managing and protecting various types of information throughout their life cycle.

KFM also has its own Archives Management Policy, which requires that all records related to its due diligence programme be kept for at least 10 years. Certain types of documents must be retained for more than 10 years, in accordance with DRC law.

### 3. Risk Assessment and Mitigation

At KFM all the materials processed are from its own production and there are no third-party sources of minerals or metals . Risks within the scope of the OECD Guidance are therefore entirely related to KFM’s own operations and managed directly through its own management systems.

In line with CMOC’s Comprehensive Risk Management Policy which includes the assessment of OECD Guidance Annex II risks, KFM conducts semi-annual risk assessment, documents the results in a risk register and reports on the results to the senior management. Tools used in our risk assessment are diversified, including materiality assessment, incidents/grievances reports and analysis, stakeholder engagement, media monitoring, NGO reports and expert studies, as well as on-the-ground due diligence assessments. Where we identify significant risks, we engage with relevant stakeholders and develop risk mitigation plans. We monitor the risk mitigation through regular evaluation of progress towards the set KPIs following specific timeframes.

As part of the risk assessment process, CMOC and its subsidiaries also evaluate country/region risks to determine whether their operations (or mineral suppliers, if applicable) are located in conflict-affected and high-risk areas (CAHRA). To facilitate this assessment, CMOC utilizes the Consult Before Trade (CBT) Country List, which is updated at least annually. This tool integrates multiple external databases and identifies CAHRA countries from three perspectives: credit, insurance, and compliance risks. This helps identify countries considered high-risk in at least one of these categories.

To account for the OECD Guidance Annex II risks related to conflict, governance and human rights, the CBT Country List assessment adopts the TDi CAHRA Index as a component of its procedure to identify countries with a high compliance risk. Methodology of the CBT Country List, including the TDi CAHRA Index, is explained in the following table:

Risk category	Criteria to CBT Country List
Credit Risk	<ul style="list-style-type: none"> <li>• Any country for which any one of the S&amp;P / Moody's / Fitch Country ratings is B+/B1 or lower is placed on CBT</li> <li>• For Countries with no external rating, if Euler Hermes Long Term rating is C or lower, Country is placed on CBT</li> </ul>



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<p>Compliance Risk</p>	<ul style="list-style-type: none"> <li>• Countries under comprehensive US/EU/UN sanctions regime or with high number of sanctioned entities/individuals</li> <li>• Countries with CAHRA score &gt; 70/100 on TDi CAHRA Index*</li> <li>• Countries on Dodd-Frank Act Section 1502 list (high-risk)</li> <li>• Countries on EU Conflict Minerals Regulation CAHRA list (high-risk)</li> <li>• Countries on Financial Action Task Force (FATF) monitored jurisdiction list</li> <li>• Countries on EU list of non-cooperative jurisdictions for tax purposes</li> <li>• Countries on EU list of High-risk third countries for money laundering and terrorist financing</li> <li>• Countries on OECD List of Jurisdictions committed to improving transparency</li> </ul>
<p>Insurance Risk</p>	<ul style="list-style-type: none"> <li>• Any country that is excluded from coverage in our M&amp;C Policy and/or Political &amp; War Policy</li> <li>• Any country that are subject to ‘prior agreement’ and/or additional premium in our M&amp;C Policy and/or Political &amp; War Policy</li> </ul>

Based on our methodology, informed by several credible international indices covering human rights, conflict, and governance risks, the DRC is classified as a conflict-affected and high risk area on our CBT List. That said, KFM is located in Lualaba province, where there is currently no active armed conflict, and the mining concession is in a secured area where no illegal artisanal mining activities have been discovered to date. However, corruption and human rights risks remain a key concern for KFM. Over the past two years, KFM has developed and implemented a series of policies and procedures to address identified risks, including the KFM Human Rights Policy, the KFM Guidelines for Managing Contractor ESG Risks, the KFM Policy on Gifts, Dining, and Entertainment, the KFM Charitable Donations Policy, and the KFM Regulations on Per Diem for Government Officials. We have also conducted contractor compliance training and inspections in the areas of human rights, labor management, occupational health and safety, and anti-corruption to ensure that contractors’ policies and practices are consistent with KFM’s standards. For more information on how CMOC and KFM address these risks, please refer to the following sections and the 2023 CMOC ESG Report.

### 3.1 Human Rights Management

CMOC Human Rights Policy applies to all its operations including KFM. CMOC and KFM level policies and procedures, such as the Code of Business Conduct and the Employment Policy, have clear stipulations on zero tolerance on child labor, forced labor and any serious human rights abuses. KFM's policies and procedures on recruitment, contracting, and the grievance systems are fully implemented, communicated, and monitored to ensure the compliance with the group policies and international standards.

In 2024, to further strengthen KFM's human rights management system, CMOC hired international human rights experts to conduct human rights due diligence (HRDD) on KFM. The goal of the project is to support KFM in developing a long-term strategy for the protection of human rights in line with its internal policy commitments and international standards. The project will also build internal capacity in key sectors and strengthen cross-functional governance structures at KFM to support ongoing HRDD. In addition, conducting HRDD will also support KFM's stakeholder engagement and communication. For further information on KFM's HRDD, please see the section "Achievements" later in this report.

### 3.2 Security and Human Rights

There is no presence of non-state armed groups in KFM's concession. KFM does not participate in any military operations, and does not provide any assistance that can facilitate military operations.

To protect company assets and personnel and to maintain access control for active operations, KFM has hired security staff and private security contractors. These agents and private contractors are unarmed, have no law enforcement capacity, and are primarily engaged in surveillance and the operation of mine access control points and production sites.

Enforcement of national mining law within the KFM concession, with reference to the legal extraction of minerals, is the responsibility of the Mines and Hydrocarbons Police (PMH), a branch of the national police. Though autonomous in their operations, the PMH operate under terms of a contract with KFM's security contractor that addresses concerns such as the nature of support provided by KFM. The contract makes explicit reference to KFM and its contractors adoption of the Voluntary Principles on Security and Human Rights (VPSHR), including directives on how to follow up on allegations of human rights violations.

To mitigate risks of human rights abuses when dealing with security contractors, KFM is implementing the Voluntary Principles on Security and Human Rights (VPSHR),

which help guide companies in maintaining the safety and security of their operations while encouraging respect for human rights. KFM provides training to its security staff, the personnel of private security contractors, and PMH officers on key elements of the VPSHR. Private security firms are also subject to due diligence at the contracting stage, including human rights aspects. In 2023, 4 of KFM's direct-hire security employees, 576 private security contractors, and 91 concession-based mining police received VPSHR training. In 2024, 100% of KFM's direct-hire security employees, private security contractors, and mining police also completed VPSHR training or refresher courses. Training was provided by both internal trainers and external experts, including international human rights experts from the Triple R Alliance and the Geneva Center for Security Sector Governance (DCAF).

To enhance the VPSHR risk management in 2024, the company hired an international consultant to conduct a 'training of trainers' course for the KFM security department as well as private and public security forces. KFM also conducted a VPSHR risk assessment and is developing an action plan to mitigate identified risks.

As part of our efforts to promote and implement VPSHR, KFM regularly participates in the Lubumbashi and Kolwezi VPSHR Working Group meetings. This group, composed of government representatives, mining companies, and human rights NGOs, aims to facilitate communication among stakeholders, build mutual trust, and adopt coordinated and participatory solutions to address security and human rights challenges at mining sites.

### 3.3 Management of Financial Crimes and Payments to Governments

CMOC has related policies including the CMOC Code of Conduct, Supplier<sup>2</sup> Code of Conduct, Anti-Bribery Policy and Anti-Money laundering Policy, which apply to all affiliations including KFM. CMOC Internal Control and Audit Department conducts internal audits and inspections on a regular basis to identify any corruption risks. Every year CMOC and its subsidiaries, including KFM, provide annual anti-corruption training for the management, employees and contractors.

KFM has also developed and implemented its own policies such as the Gifts, Dining, and Entertainment Policy, Charitable Donations Policy, Regulations on Per Diem for Government Officials, and Regulations on Administrative Fees. These policies clearly define the regulations and principles for accepting gifts, dining and entertainment, charitable donations, and direct support for government officials.

In our operations in the DRC, corruption remains a pivotal area of concern. We conduct due diligence of suppliers and contractors to screen for violations of

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<sup>2</sup> "Supplier" refers to any enterprise that provides goods or services to CMOC. Suppliers may include vendors, contractors, consultants, suppliers, their subcontractors, and any other contractual third parties.

applicable laws and CMOC policies governing anti-corruption. We use third-party platforms to conduct supplier vetting and due diligence, and inform all new suppliers and customers of CMOC's Code of Business Conduct, Anti-Corruption Policy, Anti-Money Laundering Policy, and other compliance requirements. These requirements are all included in the contracts. KFM legal and compliance department submits a compliance analysis report to the site CEO at a quarterly basis.

KFM is a member of the Extractive Industries Transparency Initiative (EITI) in the Democratic Republic of the Congo, and regularly publishes reports detailing payments made to the government.

As stated above, a grievance mechanism is provided at KFM and CMOC level to receive, record, handle and respond to any grievances related to the violations of CMOC policies and commitments regarding financial transparency and business integrity.

## 4. Achievements

### 4.1 Human rights due diligence

From May to July 2024, external experts conducted a Human Rights Due Diligence (HRDD) process at KFM. The process included an assessment and prioritization of the human rights risks, impacts, and salient issues of KFM in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs). This process involved visits to the KFM site and local communities, along with extensive and constructive engagement with key stakeholders. A total of 235 stakeholders participated in the HRDD process and provided feedback.

As a tangible outcome, KFM has appointed a senior management member to ensure the ongoing implementation of the HRDD process. Additionally, to manage human rights risks for employees and the community, we are developing a comprehensive Human Rights Action Plan that integrates KFM's existing management plans and systems in Human Resources, Health and Safety, Contracts & Procurement, Community, Resettlement, and Security. During the HRDD process, we also identified several critical human rights priorities that require multi-stakeholder engagement. In these areas, KFM has the opportunity to enhance its responsible production practices through collaboration with other industry peers, customers, civil society organizations, and the DRC government.

### 4.2 Grievance management system

KFM has established a comprehensive grievance management system to address issues related to human rights, business integrity, environmental protection, the local



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community, and occupational health and safety. This system provides secure communication channels for all stakeholders, including employees, contractors, and community members, ensuring they can freely express concerns and complaints without fear of retaliation. The on-site system is complemented by CMOC's online grievance system, which aims to streamline grievance management and feedback processes across the Group.

Grievances can be submitted through multiple channels to ensure anonymity and accessibility, including an online platform, hotline, dedicated email address, and on-site mailbox. All grievances are reviewed and addressed by a dedicated cross-departmental team comprised members from the Compliance, Human Resources, and HSE departments.

KFM's Compliance department oversees the entire grievance handling process to ensure that all grievances are managed fairly and transparently. We continuously monitor and review our grievance handling procedures and submit annual statistics on grievance resolution to the Group. To enhance the effectiveness of the grievance management system and align it with international best practices and standards, we invited international human rights experts in 2024 to provide training on the effectiveness criteria for grievance mechanism of the United Nations Guiding Principles on Business and Human Rights (UNGPs). This training ensures that grievance handlers are informed of the latest laws, regulations, and international human rights standards.

## 5. Challenges

One of the key challenges in implementing our RPMS is the influx of migrants from other parts of the country, which has led to a rise in potential social, economic, and environmental risks for KFM and the surrounding communities. These risks include infrastructure shortages, rising crime rates, disease spread, illegal artisanal mining, harassment, and gender-based violence.

To address this challenge and mitigate foreseeable risks, KFM has developed an In-Migration Risk Management and Sustainability Strategy. This sets forth a range of targeted measures, including community capacity building, leveraging stakeholder engagement platforms, and working with traditional leaders, local government, and NGOs.

In addition, as a newly commissioned project, KFM faces the challenge of developing a comprehensive ESG management system within a short timeframe. This system must align with CMOC policies, applicable domestic and international laws, and international good practice frameworks. We are currently advancing the development and certification of various management systems, including ISO 45001 and ISO 14001.

## 6. Forward-Looking Statements

Within the framework of CMOC's RPMS, KFM will continue to conduct periodic reviews of its responsible production management system, monitor and evaluate risk mitigation measures, and undergo external audits to demonstrate our commitment to responsible sourcing and production.

Recognizing that the ongoing development of management systems remains a key challenge, KFM is committed to building a strong foundation for our ESG management system by implementing and seeking certification for the ISO 45001 Occupational Health and Safety Management System and the ISO 14001 Environmental Management System.

In addition, to mitigate the impact of in-migration and ensure KFM is able to grow together with local communities, we will further strengthen communication and collaboration with community members, neighboring businesses, and government authorities.