



Terms of Reference

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# Executive Summary

Current ASM cobalt practices do not always meet expectations of international supply chain actors and are often characterised by; 1) hazardous working conditions; 2) systemic child labour; and 3) limited access to legitimate, transparent markets.

Downstream disengagement from or a ban of ASM sites however, does not constructively address the issues leading to child labour and hazardous working conditions. The Fair Cobalt Alliance (FCA), represents cobalt supply chain actors across the biggest cobalt consuming industries, promoting that these supply chain actors should not aim to exclude ASM from their supply chains, but instead take responsibility to contribute to jointly developing a viable solution.

The FCA acknowledges the role of recycled material and responsibly mined LSM cobalt to meet growing market demand for cobalt. We strongly believe that LSM operations have an active role to play in the constructive engagement of ASM on their concessions, as well as making significant contributions to the professionalisation of ASM practices in the Lualaba region.

It is its mission, however, to contribute to the development of Fair ASM Cobalt supply, the production and commercialisation of which does not endanger workers but contributes to local development.

The Fair Cobalt Alliance is an action platform, initiated to coordinate, support and scale local initiatives aimed at the betterment of the ASM sector in line with our three objectives:

1. Driving the supply and market acceptance of Fair Cobalt
2. Working towards a child-labour free ASM cobalt mining-sector
3. Increasing household incomes

## **FCA approach to driving mine site improvements**

The FCA supports the professionalisation of ASM by working with legal production sites that demonstrate a genuine commitment to continuously improving ASM practices, starting from a minimum basic standard and, over a stipulated and agreed period, moving to more advanced practices and performance.



This notion of continuous improvement is guided by clearly defined continuous improvement plans (CIPs), co-designed by ASM operators and financed through the FCA. In practice this means that cooperative staff:

- 1) receives professional support implementing CIP actions;
- 2) technical training and capacity building;
- 3) access to gradually decreasing on-site investments;
- 4) 3rd party monitoring against CIPs and impact framework.

ASM sites considered for inclusion in FCAs programme, need to:

- 1) Be legal (ZEA or PE with a valid agreement between concession holder and cooperative).
- 2) Be economically viable (availability of resources over next 3+ years).
- 3) Have operators' commitment to achieve continuous improvement.
- 4) Implement a policy and effective controls to ban all and any children at the mine sites within the first few months of engagement, prior to receiving any investment.

### **FCA approach to supporting communities**

The FCA Child Labour programme focuses on supporting local organisations running child labour remediation and mitigation programmes. This includes fostering school attendance and improving local school infrastructure and teaching capacity, with special attention to at risk youth, 15 and older, offering access to vocational training.

FCA aims to increase households' incomes by;

- a) driving financial literacy (incl. saving group schemes);
- b) fostering alternative livelihoods and entrepreneurship (incl. relevant training, business mentorship, access to financial services);
- c) increasing miners' income (through investment in productivity increase).

For the implementation of the off-site community programmes, FCA will work with both international well-established organisations that have a strong track record in initiatives like



the above as well as local community-based organisations that are strongly rooted in the mining communities.



# 1. FCA Terms of Reference

This document describes the rationale behind and workings of the Fair Cobalt Alliance, providing a broad overview of how the FCA operates, what objectives we pursue and how different organisations can get involved.

As such, the ToR should be read together with the FCA's Articles of Governance. Please note that, in case of any differences, the Articles of Governance takes precedence.

## 2. Background of Cobalt in DR Congo

The Democratic Republic of the Congo (DR Congo) is the world's largest cobalt producer. It is the largest country in sub-Saharan Africa and endowed with a wealth of natural resources in almost all sectors, of which the mineral sector is the most prominent. The province of Lualaba (formerly Katanga), located in the south of the country, also known as the Copper Belt, has a long history of industrial copper mining, often combined with cobalt. These resources are concentrated in and around the cities of Lubumbashi, Kolwezi and Likasi. They are estimated to be some of the largest in the world, with total deposits estimated to comprise 51% of global cobalt reserves and currently more than 70% of global production. (USGS, 2020)<sup>1</sup>

In their 2015 report *Katanga Calling*, the Dutch NGO SOMO provides a helpful historical background of the regional mining sector:

“The mining sector in [Lualaba] has long been a monopoly of Gécamines, the state-owned company that made the DR Congo the world's largest producer of copper and cobalt. In the 1990s, Gécamines faced numerous crises that eventually led to its bankruptcy. International financial institutions such as the World Bank subsequently called for the privatisation of the mining sector. During this period, there was a mining scramble in both the artisanal (informal) and industrial (formal) mining sectors. Exploitation was characterised by rampant corruption. Privatisation of the mining sector did not bring about

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<sup>1</sup> <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020-cobalt.pdf>



improvements to the living conditions of the people near these companies, which remain precarious. Most of the local people still have no access to drinking water, health care, education or electricity.” (SOMO, 2015)<sup>2</sup>.

A year after the publication of the SOMO report, Amnesty International published their report “This is What We Die For” (2016)<sup>3</sup>, drawing attention to the systemic spread of child labour in Kolwezi, in particular in the area known as Kasulu, a formerly residential area that has been designated a Zone for Artisanal Exploitation or Mining (ZEA), an area dedicated to the recovery of cobalt ore by small groups and individuals using basic manual techniques and rudimentary tools known as artisanal miners or small scale mining or ASM.

Historically, ASM production has provided flexibility to the battery industry when large scale mining or LSM were not operating in the DR Congo, particularly given the challenging political context of the DR Congo<sup>4</sup>. “In the period after the second Congo war (2002) an estimated 90% of all cobalt mining was done artisanally. Back then, up to 120,000 people were involved in artisanal mining. In 2011, it is estimated that 67,000 to 79,000 persons were involved in all-year ASM activities; when additional seasonal mining activities are taken into account, the total number of ASM cobalt miners in 2011 was estimated at 90,000 - 108,000 persons (ÖKo-institut e.v. 2011).”<sup>5</sup> With the emergence of EV technology, demand for cobalt skyrocketed in 2017-2018, leading to December 2018, when the national government of DR Congo recognised the importance of national cobalt resources by declaring it a ‘strategic mineral’ and raising royalty payments on cobalt from 3.5% to 10%. Today, ASM is said to make up about 20% of Congolese national production, totalling approximately 20.000 tonnes in 2019.

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<sup>2</sup> <https://www.somo.nl/katanga-calling/>

<sup>3</sup> [https://www.amnestyusa.org/files/this\\_what\\_we\\_die\\_for\\_-\\_report.pdf](https://www.amnestyusa.org/files/this_what_we_die_for_-_report.pdf)

<sup>4</sup> “Between 1998 and 2006 nearly 90% of total Congolese cobalt production originated from the ASM sector (ÖKo- institut 2011). Since 2006 the mining sector has seen a steady increase in industrial copper-cobalt production (Fig. 6) with multiple international enterprises actively involved (cf. annex Table 2). “ page 7, BGR 2017.

<sup>5</sup> Page 9, BGR 2017





ASM is in no way a cobalt-specific phenomenon, with significant shares of tin, tungsten, tantalum and gold being mined artisanally, as well as the majority of coloured gems and diamonds, estimating that the sector employs around 25 million of the poorest people in the world, indirectly creating employment in auxiliary sectors of 40 million people and supporting an additional estimated 150-200 million people. Making it one of the biggest employment sectors in Africa, second only to farming.

Despite it providing many thousands of jobs directly and contributing to livelihoods of even more households indirectly, ASM has a particularly complex history and current practices at cobalt ASM mining sites do not always meet expectations of international supply chain actors and brands regarding working conditions, mine site governance and environmental management. These expectations also appear to be ever evolving and increasingly onerous on the supply chain, especially on downstream participants, both in terms of regulatory requirements and investor and customer expectations around Environmental, Social and Governance issues (ESG). This pressure on downstream actors directly moves up the supply chain to the source of production and the mines. ASM is often characterised by hazardous working conditions, systemic child labour and limited access to legitimate, transparent markets, raising the question of whether local workers are receiving a fair share of the wealth generated, before cobalt is traded and processed internationally. Locally, however, artisanal miners have few viable alternative income sources that are as easily accessible or with similar levels of pay and providing ready cash flow.

In the strictest sense of the word, cobalt is not a 'conflict' mineral. The North Eastern region of the DRC, where the majority of the armed conflicts by rebel groups which are funded by ASM, are not linked to cobalt at all. The Dodd-Frank act does not incorporate cobalt as a conflict mineral and neither does the EU 2021 Regulation on conflict minerals include cobalt as a conflict mineral. The 'conflict' of cobalt is localised to the characteristics previously mentioned as well as local violence generally not linked to the funding rebel activities/groups.



## 3. Introducing Fair Cobalt

Cobalt plays a key role in enabling a transition to a green economy. Nevertheless, public discourse around cobalt has been largely negative, focussing, to a large extent, on negative impacts of mining activities, creating a dichotomy between cobalt as a key to reach a clean, carbon-free future on the one hand, and its mining being characterised by strong ties to poverty-driven child labour and human rights issues on the other. The reality is more complex, and making definitive statements is problematic. So from where, and importantly how, should companies source their cobalt?

### 3.1 Defining Fair Cobalt

#### 3.1.1 Recycled Cobalt

For a more sustainable and ethical supply chain, it is sometimes argued that companies should source recycled instead of newly mined material, following the basic rule to reduce, reuse, and recycle. Opting for recycled cobalt would appear to be an elegant solution to not only reduce the environmental footprint through a circular cobalt supply chain, but also to restrain from fuelling the challenges associated with the exploitation of newly mined cobalt. While the Fair Cobalt Alliance (FCA) sees an inherent value in recycling and lauds the efforts that are put into further developing existing recycling technology, we believe that cobalt demand will, by far, outperform the amount of cobalt in rotation through recycling schemes. Recycled cobalt is a viable and important source in the long term however the process of recycling a battery is energy intensive, costly and not all of the cobalt is salvageable. This means that cobalt mining will need to continue for the foreseeable future to meet a growing hunger for batteries to power electric vehicles, smartphones and other mobile devices and enable the storage of renewable energy at a massive scale. So how can the mining of cobalt be safer for workers, and less harmful to the environment?

While both artisanal and large-scale mining will always have some impact, when managed well and with full reclamation and pollution management, the disturbance can be temporary and much reduced. Furthermore, the net result can be mining projects that are a significant



motor for local development<sup>6</sup>. For example, LSM can support infrastructure development in various regions and support local procurement of materials and production needs to stimulate local economies. While challenges and risks might differ between mine sites, there are already a number of examples of how best practices can be introduced in both at LSM and an ASM operations and their communities.

### 3.1.2 LSM Cobalt

Kolwezi has long been an industrial copper mining town and LSM is by far the largest contributor to the regional economy. LSM is generally highly capital intensive and mechanised. It employs thousands in jobs generally paying well above national wage averages. Although many employees are Congolese, a significant proportion, who require specialist technical qualifications, are recruited internationally. Highly mechanised LSM cobalt operations bring large volumes of cobalt to market accounting for approximately 80-85% of mined, or non-recycled, global cobalt production. LSM operations are subject to a considerable industry and stakeholder scrutiny, incentivising high health and safety standards. There are a number of voluntary sustainability standards, such as the ISO family of certifications or the Responsible Minerals Initiative due diligence assurance programmes, that recognise the adoption of best practice operating standards at mine sites. Such certifications can provide necessary assurances to buyers that wish to ensure they are not contributing to human rights abuses or environmental harm. Certification

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<sup>6</sup> Mining is always ending at a certain point in time. Over 60% of mining is occurring in developing countries with a high dependency of mining for economic development (and more than 60% in politically unstable countries). With a growing population & resource demand, mining especially in these resource dependent countries can be used for economic development. It is also in these developing countries that mining usually does most harm as these are less regulated and usually are characterized with weaker forms of governance. Industry can support development here by channelling demand to mines that gradually can lead to economic development beyond the mine itself & curb environmental damage. Again, demand as well as investments are needed to catalyse this.



does not guarantee that a buyer's full supply chain further downstream is free of irresponsibly sourced cobalt.

Several LSM companies make CSR contributions to local infrastructure and service development. Laudable efforts, that, however, in isolation cannot offer a structural relief to address the underlying root causes of poverty. As such, LSM cobalt is important to meet growing global demands and can make a significant contribution to local economic development, but cannot be expected to help transform the local economy in Lualaba by itself.

While LSM operations are run separately to artisanal sites, these are often linked. A recent OECD report noted that:

“The upstream supply chain of 2Cs is often presented as two distinct types: artisanal and small-scale mining (ASM) and large-scale mining (LSM). However, there is extensive interaction and interface between ASM and LSM, both commercially and physically, throughout all segments of the upstream supply chain. Despite the perception of the downstream market, a significant number of the top LSM producers source ASM material in some shape or form due to technical and commercial requirements.”<sup>7</sup>

Where LSM neighbours ASM sites, they should consider and include in their site management plans and strategies to manage ASM relations. Greater engagement between LSM and ASM is needed to promote better practices and deepen positive development impacts and address many of the risks currently associated with cobalt produced in the DRC. A challenge for many LSM operations is to constructively engage with (often) illegal ASM miners operating on or near their concession with the goal of avoiding tragic accidents and addressing hazardous working conditions.

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<sup>7</sup> OECD Responsible Business Conduct, “Interconnected supply chains: a comprehensive look at due diligence challenges and opportunities sourcing cobalt and copper from the Democratic Republic of the Congo”, OECD 2019.



### 3.1.3 ASM Cobalt

Contributing somewhere between 15-20% of national cobalt production, Lualaba's ASM cobalt production is a real driver of local employment and for many the only accessible livelihood, despite apparent health and safety risks associated with artisanal mining activities. As of now, there is no certified supply of responsible cobalt, nor a clear definition of what responsible cobalt production would mean in an ASM context. While LSM operations are often well-financed, ASM operations not only lack the internal capacity to adopt responsible practices, but also the investment capital to make structural improvements to their sites. Improvements that can cost hundreds of thousands of dollars. Looking away from cobalt, to the ASM gold mines of Colombia and Peru, we can see an example of a select number of mines that have been able to fully professionalise over the last 20 years, through the support of organisations such as ARM, Fairtrade, Solidaridad and the Swiss Better Gold Association. These efforts required considerable investment, but ultimately resulted in certified, responsibly produced gold. There is still much work to be done and many mines, especially in Peru that are still subject to the atrocities linked with conflict gold supply chains post-production however, the positive progress continues, and the successes should be used as examples to further promote the inclusion of ASM into the wider accepted market.

Driving the production of responsible ASM cobalt will take a similar effort, but one that hopefully can be sped up by building on what has been learned from other commodity sectors, such as tin and gold and made more efficient and responsibility shared by leveraging support from the entire cobalt supply chain.

Supporting ASM to professionalise will have huge implications. With more than 100 000 men and women linked to the ASM cobalt sector in the Kolwezi region, concentrated efforts to raise production practices will result in improved livelihoods for entire communities.

Reports on child labour and hazardous working conditions at artisanal cobalt sites have been brought to light by international NGOs and media in recent years. The response by many downstream companies has been to attempt to apply a policy of disengagement,



excluding ASM sources from their supply chains. The cobalt supply chain is, however, complex. Cobalt passes through many different processes and changes in ownership before reaching a battery maker or industrial application. Therefore, ensuring the exclusion of cobalt from a particular mine site or even a country, is difficult and would require considerable effort and expense. In other words, only few companies, if any, would be able to claim with certainty that their batteries and devices are free from cobalt originating from ASM mines.

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 the tin industry in the DR Congo, a too rapid reaction by downstream markets can lead to harmful effects on the very people and communities that are the subject of concern. Downstream disengagement from or a ban of ASM sites 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<sup>8</sup>. If the industry cuts ties to ASM cobalt, the miners can easily switch to one of the other metals or minerals that are mined artisanally where the commercial market has not banned their participation.

The Fair Cobalt Alliance (FCA), represents cobalt supply chain actors across the biggest cobalt consuming industries jointly voicing their aspiration to develop a source of Fair ASM Cobalt. As currently there is no supply of responsible or fair ASM cobalt our members invest in the professionalisation and support of existing ASM cobalt sites committed to achieving progressive improvement targets. Where necessary, this strategy

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<sup>8</sup> “Purchasing minerals from ASM sources does not represent a problem in itself; boycotting such material would not stop ASM activities but rather lead to a decrease in transparency and deterioration of living and working conditions of artisanal cobalt miners and their families in the DR Congo. Instead, companies should closely monitor the conditions of cobalt mining and trade and seek to improve performance along their supply chains. The feasibility of such measures has already been demonstrated in comparable supply chains of tin and tantalum (BGR 2016).” Page 11-12, BGR 2017



will include supporting the transition of illegal, unsustainable and/or unsafe ASM to sustainable, alternative livelihoods.

In summary, the Fair Cobalt Alliance acknowledges the role of recycled material and responsibly mined LSM cobalt to meet growing market demand for cobalt. It is its mission, however, to take responsibility for contributing to the development of Fair ASM Cobalt supply, the production and commercialisation of which does not endanger workers and contributes substantially to local development. We strongly believe that LSM operations have an active role to play in the constructive engagement of ASM on their concessions, as well as making significant contributions to the professionalisation of ASM practices in the Lualaba region. The FCA contributes by developing and investing in the professionalisation of ASM sites, and by finding solutions to maintain the overall economic well-being of the region where some mining activities will need to be transitioned.

In addition to the professionalisation of ASM sites, the supply chain cannot be forgotten. Efforts that mitigate the issues discussed at production sites can be negated if the same level of diligence on the risks in commercialisation and supply chain is not taken as irresponsibly sourced materials find their way to market later in the raw material lifecycle. The ASM supply chain needs to adopt best practices in order to ensure the effort that has gone into the development of ASM is not negated by an irresponsible and corruptible supply chain further downstream. Points of weakness in the supply chain could filter back and paint the mine itself which is completely legal in a bad light.



## 4. Introducing the Fair Cobalt Alliance

### 4.1 Our Objectives

The Fair Cobalt Alliance is an action platform, initiated to coordinate, support and scale local initiatives aimed at the betterment of the ASM sector in line with our three objectives:

#### 1. Driving the supply of Fair Cobalt

The FCA drives the development of fair cobalt by supporting the professionalisation of ASM site management, ensuring an uptake of responsible mining practices and channelling financial investment into mine improvements, with the goal of making mines safer, minimising environmental impact and creating decent working conditions for men and women working at the mines. ASM miners are often subject to being price takers as opposed to receiving a fair price. It is common knowledge that XRF scanners which are often used when testing ASM cobalt are not 100% accurate and results can be manipulated. For this reason, the FCA aims at driving market transparency to ensure equitable access to accurate pricing information.

#### 2. Working towards a child-labour free Kolwezi

International NGOs and media highlighted the reliance of the Congolese ASM cobalt sector on hazardous child labour; but the occurrence of child labour in mining is a symptom of widespread poverty in the region and is not exclusive to the mining sector. These root causes drive miners towards higher risk scenarios including where children are participating in mining and where miners are taking more and more safety risks.

To prevent children from working inside any of the cobalt mines, the FCA supports ASM operators to establish credible control and monitoring mechanisms to keep children out of the mines. But we cannot stop there. In order to tackle and prevent child labour not just inside the mines but throughout the communities, the FCA has established a funding mechanism to support the enrolment of children into school, allowing children and youth access to education and vocational training.

#### 3. Increasing household incomes





The FCA aims to address the root causes that perpetuate high risks associated with artisanal mining.

The Bundesanstalt für Geowissenschaften und Rohstoffe (BGR)<sup>9</sup> highlights that ASM continues regardless of price, legality or risks, due to the poverty in the region and lack of alternatives. The FCA recognises that poverty constitutes one of the root causes of the ASM-related child labour and hazardous working conditions. In an effort to support the ASM community transition into sustainable livelihoods, FCA invests in off-site broader community programmes, designed to create sustainable livelihoods for as many community members as possible.

In summary, it's our mission to:

- transform the cobalt artisanal mining (“ASM”) industry to have a positive impact in the Democratic Republic of the Congo (the “DRC”) by channelling demand for and increasing availability of responsible ASM cobalt,
- systemically address the root causes of child labour and dangerous practices at artisanal cobalt mining sites, and
- foster a just transition to a diversified economy to drive the sustainable development of the region.

## 4.2 Our Approach

### 4.2.1 Driving continuous improvement at ASM sites

Generally, voluntary sustainability standards (VSS) allow entities to use their brand logo or certification (i.e. to make a claim) when the entity is in full conformance with all criteria. Often, full conformance means a process of implementing significant and costly changes that, from start to finish, can take two years or more. While this might provide assurance to buyers, it can also lead to the categorical exclusion of operators that lack the capacity,

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<sup>9</sup> BGR, i.e. The Federal Institute for Geosciences and Natural Resources is the central geoscientific authority providing advice to the German Federal Government in all geo-relevant questions, focusing on sustainable use of natural resources and protection of the human habitat.



understanding and resources to meet the respective standard's criteria immediately. Many ASM operators over the world fall into this category. It is also a significant disincentive for ASM to join such VSS schemes as there is often considerable cost needed to comply in the first place before any benefit is derived from participation. If followed, this 'compliance first' route means that downstream brands effectively ban ASM material from global supply chains and inhibit resources reaching the very communities that need it the most. There is no 'officially' certified responsible cobalt standard and therefore no certified cobalt available. Excluding ASM does not improve conditions in mining communities, and downstream brands are no closer to being able to implement and demonstrate their credentials associated with responsible sourcing strategies. A new approach is needed.

The FCA challenges the current status-quo of industry non-acceptance of ASM and of 'compliance first'. The FCA is supporting the professionalisation and development of the ASM by working with legal production sites that demonstrate a genuine commitment to continuously improving ASM practices, starting from a minimum basic standard and, over a stipulated and agreed period, moving to more advanced practices and performance. This approach incentivises ASM by providing the needed capacity development and technical assistance to achieve improvements. This is a 'win' for the ASM operations as they benefit from having the assistance to improve their mines, and a 'win' for the downstream buyers who are able to demonstrate they are managing their risk while at the same time making a positive impact upstream. Rather than avoiding the problem, downstream companies are contributing to the solution. Being a part of the solution is a response advocated by rights groups such as SOMO, Amnesty International and Global Witness. It is the right thing to do.

### FCA Mining Site selection

Regionally, ASM occurs in a variety of contexts. ASM activities can broadly be categorised by the legal status of the operations:

- ZEAs (Zone d'Exploitation Artisanale) are areas designated by the government specifically for artisanal mining. Every ZEA gets assigned to a cooperative, which is responsible for the management of the sites. ZEAs are open for artisanal miners and restrict the use of heavy machinery that would qualify as LSM activity. While there are around 60 ZEAs in the region, only one of them (Kasulo) is operational



today. There are two main reasons for this: First, most prospective mining zones were registered as exploitation permits (PEs) decades ago by Gécamines, leaving only few viable deposits for ZEAs. Second, even those few ZEAs located on potentially mineralised areas still require exploration and development, which is a very costly process.

- PEs (Permis d'Exploitation) general mining licenses, most commonly used by LSM operators. Concession holders may sign agreements with ASM cooperatives to authorise artisanal operations on their sites (i.e. Chemaf with COMIAKOL at Mutoshi). Any ASM operation on a PE without such an agreement is illegal. The vast majority of today's ASM occurs at PEs without valid agreements and is therefore illegal. A thorough due diligence is essential as many ASM cooperatives either wrongly claim to have such an agreement, possess expired agreements or ones that were issued by entities who had no legal authority to do so.
- PRs (Permis de Recherches) are exploration permits that allow exploration work, both artisanal and industrial. Importantly, they do not allow any kind of exploitation. Therefore, ASM/LSM operations at PRs that mine and sell minerals are illegal.
- Sites operated without any valid license in place are illegal.

For the FCA to consider an ASM site for inclusion in its mine-site investment programme, four factors are taken into consideration:

- 1) Legality of the mining site (either operated as a ZEA or under PE with a valid agreement between the concession holder and the ASM cooperative).
- 2) Economic viability of the mining site, due to a reasonable level of confidence in the availability of resources over the next 3+ years.
- 3) Commitment of the operator to achieving continuous improvement in line with the FCA's ESG Framework.
- 4) Implementation by the operator of a policy and effective controls to ban all and any children at the mine sites within the first few months of engagement, prior to receiving any investment and aligned with target completion dates documented through CIP.

Prior to being able to invest, the FCA will identify and engage with mine sites that are within reach of eligibility for investment, providing the support necessary to obtain legal



status and engaging in a dialogue with and trainings of mine operators to understand their needs and aspirations.

### Creating an enabling environment for ASM operators

The FCA builds on the notion of continuous improvement when it comes to the introduction of best practice adoption at ASM cobalt mine sites - following the Impact Facility's Impact Escalator approach. Continuous improvement is guided by clearly defined continuous improvement plans (CIPs), co-designed and embraced by ASM operators and financed through cobalt supply chain actors through the FCA. For improvements to manifest, expectations need to be clearly communicated and ASM operators need to receive both training and the investment needed to make structural changes to unsafe sites. While this process takes both resources and time, step-by-step progress against the mines' CIP can be monitored in real time and are based on empirical evidence that implementation is on track.

In practice this means that cooperative staff receives professional support implementing CIP actions and ensuring that performance targets are met on time through:

- 1) technical training and capacity building among key staff undergoing trainer's training;
- 2) gradually decreasing on-site support around OHS, human resource and environmental management.
- 3) 3rd party monitoring against CIPs and impact framework.

### The Fair Cobalt ASM Engagement and Investment Framework

The FCA has developed an holistic Environmental, Social and Governance (ESG) framework outlining a collective expectation for ASM site best practices that should be achieved over time. The framework was the result of in-depth mine assessments and discussions with cooperatives and local government stakeholders.

In 2020, said framework was further enhanced, by aligning it with the DRC's legal requirements, as described by the Certified-Trading-Chains (CTC) Standard, building on feedback from local mine operators, the Congolese ASM support division of the government SAEMAPE as well as the FCA's downstream founding members.



The FCA is currently collaborating with the Responsible Cobalt Initiative (RCI) and the Responsible Minerals Initiative (RMI) to achieve supply chain wide recognition of the underlying approach and to ensure that material originating from mines following said framework enjoys wide acceptance among mid- and downstream actors. For this purpose, RCI, RMI and FCA will conduct a global stakeholder consultation in 2021.

As such, the ESG Framework captures recommended practices ranging from structural stability of the mine sites, to the use of sensible PPE and fair and transparent trading practices. All ESG criteria have been categorised as either basic, progress or advanced criteria, based on their attainability and general urgency.

The holistic scope of the ESG Framework ranges from topics such as mine governance, environmental management, working conditions and human rights to market transparency.



### Developing site-specific action plans

The framework<sup>10</sup> is not a checklist for mine assessments, but guides the development of site-specific CIPs, discussing and negotiating with local operators and workers what activities to prioritise. The CIPs lay out concrete, timebound-actions, designating clear responsibilities for implementation and financing as well as measurable ‘milestones’ to keep all actors involved accountable for achieving progress.

<sup>10</sup> The full ESG framework is available upon request.



The FCA enters into a binding agreement with participating mine sites, through which ASM operators formally commit to the timely implementation of CIP actions, while the FCA commits to supporting the operator through the provision of capacity building and investments funded by its members.

### Aligning with existing Voluntary Sustainability Standards (VSS)

The Fair Cobalt ESG Framework has been aligned with relevant due diligence and market access frameworks such as the OECD's 5 step approach, the DRC's CTC Standard and the CRAFT (Code of Risk-mitigation for ASM engaging in Formal Trade) ASM market access scheme.

The framework further adapted relevant ESG criteria already promoted by leading voluntary standards used in the responsible gold and gemstone production.

#### 4.3.2 Supporting communities

Working with the wider community, beyond on-site mine engagements, is meant to further the FCA's objectives of 1) achieving a child labour free Kolwezi; and 2) increasing household incomes.

The FCA Child Labour programme focuses on supporting local organisations running child labour remediation and mitigation programmes. This includes fostering school attendance and exploring how the infrastructure and teaching capacity of local schools can be improved, as existing schools are overwhelmed by the number of children seeking education. The programme pays special attention to at risk youth, 15 and older, offering access to vocational training to provide an alternative outlook to working inside the mines.

FCA aims to increase households' incomes by;

##### a) Driving financial literacy

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.



#### b) Fostering alternative livelihoods and entrepreneurship

The FCA 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.

#### c) Increasing miners' productivity

ASM is characterised by low productivity and efficiency. Through targeted investment in production and processing equipment, miners' incomes can be alleviated through the increase in productivity, especially in times of low cobalt prices

#### Collaboration with implementation partners

For the implementation of the off-site community programmes, FCA will work with relevant local and international initiatives that align with the approach of the FCA. FCA selects implementing partners that commit to operating in line with FCA's principles for collaboration (see chapter 3.2) and undergoing regular assessment of the efficiency of their operations and financial accountability to guarantee maximum impact.

FCA recognises the opportunity to work with both international well-established organisations that have a strong track record in initiatives like the above as well as local community-based organisations that are strongly rooted in the mining communities. FCA also recognises the need to strengthen civil society and community-based organisations and is committed to build capacity and provide training necessary to support the professionalisation of local organisations to operate in line with international best practices.

With the ambition of being inclusive to locally active organisations seeking financial support, the FCA will publicly communicate eligibility criteria for participation in the FCA programme. This includes community-based organisations (CBOs), Civil Society Organisations (CSOs) and Non-governmental organisations (NGOs).

At a high level these criteria include:

- The organisation's management passes basic due diligence.



- The organisation is making a clear contribution to a) children's rights and education; b) household savings; or c) fostering entrepreneurship and alternative livelihoods
- The organisation commits to reporting publicly on its FCA-related spending
- The organisation sets and reports against aspirational impact targets in line with the FCA's impact framework (see Chapter 3).





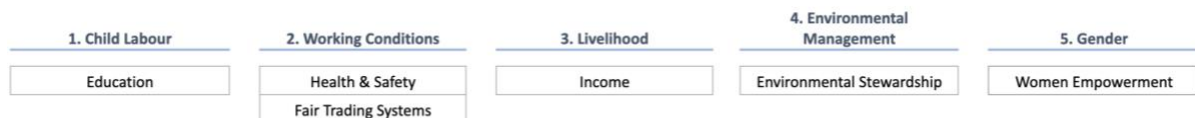
## 5. Working together for lasting impact

The concept of Fair Cobalt is based on the notion that through joint action, the lives of community members in cobalt producing regions can be measurably improved, both in regard to working conditions inside the mines and the livelihood opportunities men and women can pursue outside the mines. Across activities, projects are designed with a gender sensitive approach and in respect of children’s right to education. As continuous improvement plans are implemented step by step and social initiatives strengthen the FCA measures its concrete impact around the mine and the surrounding community.

### 5.1 Measuring Impact

Mining itself is the depletion of finite resources, having an undeniable effect on the environment and the communities living around both ASM and LSM operations, at least in the short term. The FCA, however, believes that if managed in line with best practices, environmental impact can be minimised and social benefit to the community at the same time maximised.

To measure the impact of FCA’s efforts, both on- and off-site, impact will be monitored across five impact areas.



More concretely, these impact areas will be measured both at a mine site level as well as the broader community. In the tables below, we outline the key indicators that we aim to capture across multi-year support to be developed in a monitoring plan. As some impact areas will take longer to show lasting, measurable change, the tables below are divided into progress indicators and impact indicators respectively. Progress indicators are based on the adoption of better management practices and are indicative of long-term change, impact metrics are based on quantifiable improvements of concrete metrics describing real social or environmental impacts.



Progress Indicators	Scope 1: Mine Level*	Scope 2: Community Level*
Education	children identified at risk of child labour and enrolled in education programmes (disaggregated by activity inside the mine, age and sex)	children identified at risk of child labour and enrolled in education programmes (disaggregated by work activity, age and sex)
Health & Safety	% of workers with appropriate PPE (by sex)	n/a
Community empowerment		Communities with access to grievances/incident reporting via NGOs (form to be determined)
Fair Trading Systems	% of CIP Goals met in time (per quarter)	# of ASM operations with CIP commitment and monitoring
	% of traders committed to transparent pricing best practice	n/a
Income	# of people voluntarily engaging in saving groups (by sex)	# of people voluntarily engaging in saving groups (by sex)
	perception of availability of economic alternatives (at all work stations)	perception of availability of economic alternatives

Impact Indicators	Scope 1: Mine Level*	Scope 2: Community Level*
Education	% of children still enrolled in mitigation program (e.g. children (<18) that attend school, afterschool/free-meal programme, or vocational training) (across all sites after 3 years)	% of children (<18) attending schools regularly (across all sites after 3 years)
Health & Safety	# of and frequency accidents & fatalities (inside the mine and during transport, disaggregated by severity, and work activity)	
	% of incidents "resolved", e.g. health services provided, compensations paid, etc.	
Environmental Stewardship	Air pollution metrics at communities "of interest"	Air pollution metrics at communities "of interest"
	quality of water bodies inside mine premises and streams exiting the mine	quality of water bodies inside mine premises and streams exiting the mine
	land area under good management / remediated	
Fair Trading Systems	Perception of trade terms (by sex)	
Income	Average income of washers, transporters and underground mine workers (by sex)	increase of HH income at a community level

#### Explanation

\* Progress indicators are used when impact can only be measured after a longer period of time



## 6. Investing to bring Fair Cobalt to Market

### 6.1 Creating a Fund for Impact

Investments are needed to catalyse improvements; to strengthen ASM operations' health and safety standards, reduce, mitigate and respond to the occurrence of child labour, enhance production levels and miners' incomes, and to build a resilient local economy by developing alternatives to ASM. Investments are required for alternative livelihood options for the mining communities to reduce their dependence on mining alone and to improve livelihoods in the communities. It is the responsibility of all the cobalt supply chain actors to ensure that impact at this highest level is achieved and thus the implementation of the improvement plan (on-site and off-site) requires co-investments from all parties.

The FCA therefore manages investment into both on-site ASM improvement programmes as well as off-site community programmes oriented at child labour remediation and mitigation, and economic diversification regionally. We recognise that there will be some companies in the supply chain that may not be interested in contributing directly to certain ASM sites as they may be directly related to their competitors. Other companies may be most interested in contributing to child education programmes but may not be focused on the monitoring of any specific region or site. For this reason, there is the opportunity for different contributions which is further explained in the next section.

While the majority will be grant funded an initially small number of interventions are intended to be loan financed, albeit at a low or even near zero interest rate, with capital initially contributed by downstream actors in the cobalt supply chain. This mix of grant and loan finance is appropriate given the severe conditions of poverty and social welfare in the region and the immaturity of the social enterprise and small business sector. The FCA takes a business-led approach to development, however, and we believe small steps should be taken to introduce social loans to entrepreneurs moving away from ASM or



improving practices and productivity of mining. This will allow viable long-term programmes to take route at this critical time and to facilitate a just transition away from artisanal cobalt mining by ASM where it is appropriate to do so.

## 6.2 Integration of fair ASM cobalt in global supply chains

The FCA believes that through market acceptance of ASM, investment can be mobilised to address ASM issues systematically, 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. Various members of the FCA have already committed to the offtake of ASM material, seeking physical integration in their supply chains.

At scale, crude refiners and traders play a critical role in getting material to market and a mass balance approach is an appropriate solution to build a chain of confidence. While physical integration is desirable, it is not always possible. Due to the complexity of battery supply chains, it is difficult, if not impossible, and costly to tell the origin of cobalt used in a product. This means that unless all ASM sites in the region adopt fair production practices, it is problematic for any one company to be able to distance itself from mines accused of child labour, human rights abuses or hazardous working conditions. The FCA therefore offers companies anywhere in the supply chain to participate in our Fair Cobalt Supply Chain Contribution Mechanism utilising a “book and claim” model to make a contribution to the FCA based on the amount of cobalt sourced or used in their product.

In this way the goal to continuously drive the share of material sources from mines with a credible commitment to continuous improvement and independent monitoring, can be achieved efficiently and with optimum leverage. This model has been used to great effect in other markets, including energy, carbon and soft commodities and provides a mechanism for change at a scale that physical chains of custody cannot. Further explanation of the Fair Cobalt Supply Chain Contribution Mechanism can be found in section 7.6.





## 7. Bringing the cobalt supply chain together

The Fair Cobalt Alliance (FCA) is a multi-stakeholder initiative founded by Fairphone, Signify, Huayou Cobalt, Tesla and Glencore (the “founding members”) and managed by the Impact Facility for Sustainable Mining Communities.

The mission of the FCA is to improve the conditions for cobalt mining communities by driving improvements at ASM mine-sites, eradicate child labour and protect children’s rights, and build diversified, resilient local mining communities. It is the ambition of the FCA to further scale its membership across the cobalt supply chain in order to increase its potential for impact.

The FCA welcomes businesses, civil society, donors and government agencies to get involved and actively contribute to achieving the FCA’s objectives.

Organisations can get involved as:

### Members (see 7.1):

Members of the FCA, both industry and non-industry, publicly commit to the Call to Action (CTA) and make a contribution to the FCA and its programme, which can be either financial or in-kind. Members have decision making power within the FCA and receive all relevant reporting data. Members further have the right to participate in relevant work groups

To become a member, an organisation needs to agree to the CTA (Appendix 1), with the intention of defining how they will contribute to the FCA within at least 6 months from signing on.

New members are allowed to partake in member activities during these initial 6 months as they determine whether they would like to officially join the FCA.

### Associates (see 7.2):



Associates are organizations that have signed onto the FCA's CTA, but prefer to take action outside the context of the FCA. While project implementation might be separated, Associates agree to share tools, data and learnings in an effort to mitigate a duplication of efforts.

Observers (see 7.3):

External non-industry organisations of relevance to the sector, will be consulted prior to strategic commitments or long term planning. Observers can be suggested by individual members and would be approached by the FCA's Secretariat to critically review and oversee key decisions.

Actual participation in the FCA's programme design, execution and review occurs through three bodies within the FCA, comprising members, associates and observers, as well as experts nominated by members and invited by the Steering Committee (SC).

As an action platform, the FCA offers members, associates and observers various means for how to engage:

Steering committee (see 7.4):

Members are eligible to join the FCA Steering Committee (SC), adhering to the rules stipulated by the FCA's Articles of Governance.

Work groups (see 7.5):

Work groups comprise subject matter experts and interested members that help develop the FCA's vision and approach to specific issues or challenges based on their expertise and experience. External parties might be invited to join work groups upon nomination by members of the FCA or the FCA's Secretariat. Work groups should ideally be connected to the SC, through participation of at least one SC Member in the respective work group.

Advisory board (see FCA Articles of Governance for more details):



A wider group of experts, practitioners and civil society coming together twice a year, to review the FCA's strategic direction, discuss upcoming trends and shape plans moving forward.

## 7.1 FCA Membership

As a multi-stakeholder initiative, the FCA invites any organisation operating as part of - or associated with - the global cobalt supply chain to join the FCA as a member<sup>11</sup>. This encompasses, among others, large-scale mining organisations, (crude) refineries, battery manufacturers, electronics manufacturers and auto OEMs. The FCA also welcomes non-supply chain organisations as part of their membership, including international NGOs, industry associations, or marketplaces contributing to the FCA in the form of fundraising, community awareness (i.e. their community), and expertise in the design and executive of FCA's programmes .

All members of the FCA are signatories of the FCA's Call to Action (CTA) (see Annex 1), that publicly attests to an organisation's commitment to:

1. Recognising the legitimacy of cobalt from responsible ASM operations
2. Contributing resources to the FCA integrated programme
3. Designating a contact person who will coordinate with the FCA
4. Promoting the goals of the FCA

The following subsections (7.1.1 to 7.1.4) provide a more detailed explanation for how these four commitments can be applied by different FCA members depending on their position and role in the supply chain, their size, their use of or association with cobalt, and their responsible sourcing policy, insofar applicable.

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<sup>11</sup> Find a current list of our members on this website:

<https://www.theimpactfacility.com/commodities/cobalt/fair-cobalt-alliance/>





### 7.1.1 Recognising the legitimacy of cobalt from responsible ASM operations

FCA members recognise the potential for ASM operations to be a legitimate economic activity contributing to local development and an important direct or indirect livelihood for thousands of community members in the DR Congo. Acknowledging the challenges that artisanal miners face, the FCA promotes the continuous improvement of working conditions and environmental management practices at ASM operations. Responsible ASM cobalt production is the application of a practical, time-bound, progressive, good practice framework and requisite capacity development support, technical assistance and investment.

### 7.1.2 Contributing resources to the FCA integrated programme

For FCA to invest in action on the ground, we rely on securing sufficient funding. Given the scale of the challenges at hand and the complexity of operating a business in the DRC, we have set ourselves ambitious fundraising targets. We are very grateful to have received some public funding already but can't overstate the importance of the private sector making their fair contribution to the transformation of the ASM sector.

Our goal is to have actors along the supply chain make a direct contribution based on their relationship with and dependency on cobalt as well as the size of their operations. To remain inclusive to organisations across the supply chain, we've developed a tiered contribution system specifying minimal annual contribution levels, allowing for the participation of start-ups, SMEs, well established companies, NGOs, multinationals and industry associations alike. Some companies might be big, but only use a small amount of cobalt in their products, others might solely depend on cobalt.

#### Contribution Tiers Overview

The FCA recognises that different organisations might have varying ability to contribute financially. Furthermore, organisations differ in their sustainable sourcing policies, strategy and ambition. While many supply chain members might seek to use the FCA programme to engage in sourcing of Fair Cobalt, others might not be in a position to directly link with ASM through their supply chain but nevertheless wish to actively contribute to the



FCA vision and development programmes. The FCA has therefore been designed to accommodate different strategies and levels of commitment to advance its global goal.

#### Annual Membership Contribution

Members of the FCA, both industry and non-industry, make a contribution to the FCA and its programme, which can be financial and/ or in-kind. For supply chain members not seeking to make sourcing claims (see 5.1.4), the FCA recommends minimum contributions to the development programme that are a starting point for determining individual participants commitment to the FCA. These recommended contribution levels are tabulated below. This is just a guidance and the actual contribution of each member will be reviewed between the member and the FCA.

Size	Small	Medium	Large
Examples	start-ups, SMEs, boutique consultancies & think tanks	large companies with small amounts of cobalt, industry associations, battery storage facilities, marketplaces & financial institutions	(crude-) refiners, LSM, battery manufactures, OEMs
Membership (p.a.)	USD 15.000 - 50.000	USD 50.000 - 100.000	USD 100.000 - 300.000

Determining the right contribution tier for new members.

Upon joining the FCA, new members are asked to self-assess<sup>12</sup> which category their organisation fits best, reflecting on:

- the total amount of cobalt used per year
- average revenue of their organisation; and

<sup>12</sup> The tool can be downloaded from: <https://bit.ly/3kmKl7l>



- its number of employees.

Contributions of up and mid-stream members might involve:

	Policies and Practices	Contribution
ASM Cobalt Producer	<ul style="list-style-type: none"> <li>• Implement time-bound mine site Continuous Improvement Plan (CIP)</li> </ul>	<ul style="list-style-type: none"> <li>• Allocate staff and operational resources to executing the mine CIP</li> </ul>
LSM Cobalt Producer	<ul style="list-style-type: none"> <li>• Implement policies on the constructive and appropriate engagement of ASM</li> </ul>	<ul style="list-style-type: none"> <li>• Financial contribution to the FCA</li> <li>• In-kind contribution</li> </ul>
Cobalt Crude Refiners	<ul style="list-style-type: none"> <li>• Appropriate disclosure of origin of cobalt ore</li> <li>• Increase sourcing of FCA ASM supply over time (using, for example, the mass balance system - see 5.5)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial contribution to FCA</li> <li>• Take an active role in developing an ASM cobalt site applying the FCA fair cobalt good practice framework.</li> </ul>

Timing of contributions

In practice this will mean that

- A company joining as a member commits to paying its annual contribution within 12 months of joining, preferably upfront, but bi-annually or quarterly is also acceptable. Committed funding will be used to finance the budget for concrete actions on the ground and therefore deferred payments are as important as funds received upfront.



- A company that wishes to be a member of the FCA but cannot promise the full amount can contribute whatever they can afford and are most welcome to raise additional funding by bringing more companies on board, through consumer outreach, or by other means to match or exceed the minimums stipulated in above.

#### Volume-based contributions: the Fair Cobalt Supply Chain Contribution Mechanism

For Members that use (significant amounts of) cobalt and seek to tie their contribution to the amount of cobalt used in their supply chain, the FCA has developed the Fair Cobalt Supply Chain Contribution Mechanism (further explained under Appendix 2). This allows members to utilise either a book and claim, or a mass balance accounting approach to determine their contribution, also enabling members to pursue the (physical) integration of Fair Cobalt into their supply chain. Member organisations opting for volume-based contributions can make their claims accordingly (see 6.1.4).

Companies using the Fair Cobalt Supply Chain Contribution Mechanism contribute to the entire portfolio of approved FCA projects, with the FCA investing a majority of funds into mine improvement projects yet to secure the full budget needed to realise CIP commitments. Companies might also opt to earmark their compensation as a contribution to a specific mine-improvement project, assuming its funding target has not yet been achieved.

Scheme participants pay their contribution in dependence of the amount of cobalt used in their supply chain, being charged by applying a minimum contribution fee per metric tonne sourced. The annual sum total shall be equivalent to or higher than the recommended minimum annual contributions stipulated under section b) above.

The FCA will use the total investment made through the FCA in conjunction with programme-wide Fair Cobalt production data, to regularly re-assess what the minimum contribution per tonne would need to be to sustain the programme's activity and gradual expansion. As the programme matures, the ratio between investment and production will



stabilise and serve as an indication of the financial contribution needed to produce one unit of Fair Cobalt.

Please see Annex 2 for more information regarding the workings of this mechanism.

### 7.1.3 Designating a contact person who will coordinate with the FCA

Each FCA member designates a contact person, allocating sufficient resources and time for this person to act as an FCA representative to fulfil the organisation's commitment, participate in FCA Member meetings or work groups, and help promote the FCA among suppliers and customers as appropriate. The member will inform the FCA of changes in staff and designate contact person well in advance of any such changes.

### 7.1.4 Promoting the FCA

The FCA's goal is to transform mining communities in the DR Congo through the eradication of child labour at ASM operations, protect children's' rights in the community, promote the generate of alternative livelihoods for youth and adults and grow the supply and availability of cobalt from responsibly managed ASM sites. To accomplish this, the FCA requires supply chain-wide support of its programme, both financially as well as programmatically.

By promoting the FCA among industry peers, customers and suppliers, FCA Members can shape public discourse around constructive ASM engagement and the sustainable development of mining communities with diversified economies and help recruit the backing and resources needed to make Fair Cobalt the regional default, not an exception.

Promoting the FCA starts with publicly declaring one's association with the FCA and might include (prominent) communication about the specific contribution that an organisation has made to the FCA.

#### a) Public Member Claims



The FCA encourages its members to publicly communicate about their contributions to the FCA's integrated programme. Member claims might vary, depending on a members internal sourcing strategy and financial contributions.

The below sample claims are possible claims that would be supported by the FCA. Members are encouraged to align with the FCA's Secretariat when formulating their specific claims prior to public communication.

An overview of potential claims can be found in Appendix 3.

#### b) Representing the FCA at events and industry networks

FCA members are encouraged to act as FCA ambassadors at relevant events or while participating in industry networks. Please contact the FCA's Secretariat to learn more about how your organisation could act as an FCA ambassador to help recruit more members.

## 7.2 Governance

The FCA shall be governed by and subject to the oversight of a Steering Committee. All rules, responsibilities, structure and more information on the voting process of the Steering Committee are laid out in the FCA's Articles of Governance.

## 7.3 Work Groups

As an FCA member, you and/or colleagues within your organisation would be cordially invited to contribute to relevant work groups under the FCA. The role of work groups is to help advise on and develop relevant tools, procedures and approaches to help us achieve maximum impact on the ground..

Each work group pursued by the FCA shall be coordinated by the Secretariat, and act as set forth in the Terms of Reference



Work groups are open to members of the FCA, (local) partner organisations, as well as external subject-matter experts nominated by FCA members. Results from these groups are shared during our quarterly FCA member meetings and serve as an important basis for recommendations towards the steering committee.

Initially, the FCA will focus on two work groups zooming in on:

- Children's Rights: local capacity development & design of a child labour referral system
- Supply Chain Integration: supply chain mapping, supplier outreach & supply chain integration

Engagement with the FCA through participation in the various work groups is voluntary and estimated at a minimum of 2-4 hours per month for member organisations. The time is needed for reviewing key documentation, communication and joining the FCA update calls.

## 7.4 Implementing Partners

The FCA works through a network of local partner organisations that inform and co-design needs-based and impact-driven on-site and off-site programmes. Every partner undergoes due diligence - with relevant tools and policies for due diligence approved by the Steering Committee, ensuring that the organisational purpose aligns with the goals of the FCA, and that the respective teams have the skills and qualifications required to achieve lasting change on the ground.

The FCA will sensitise all its local partners regarding its strict anti-corruption policies, and offer targeted organisational strengthening to ensure the successful implementation of high-impact interventions.

As such, all local partners subscribe to the FCA's guiding principles of:



- I. Avoiding duplication of efforts through transparent communication and planning.
- II. Maximising impact through proactive sharing of (monitoring) data, research and management tools.
- III. Crediting whomsoever credit deserves for joint-effort achievements.
- IV. Reporting impacts transparently and publicly and sharing lessons learned as widely as possible.

## 8. Miscellaneous

### 8.1 Public Communication & Reporting

The FCA shall report publicly on its activities through an annual stakeholder update. Members shall be informed about operational developments at least quarterly and receive a financial report on an annual basis.

### 8.2 Grievance Mechanism

As Secretariat of the FCA, The Impact Facility maintains and manages a grievance mechanism regarding all, and any activities associated with its programme.





## Appendix 1



**Fair Cobalt Alliance**  
L'Alliance du Cobalt Equitable

## Call to Action

The Fair Cobalt Alliance strives to grow the supply and availability of responsibly mined cobalt from artisanal and small scale operations (ASM) in Lualaba, DR Congo and to contribute to the sustainable development of surrounding communities.

As a signatory to the Fair Cobalt Call to Action, you become a supporter of the Fair Cobalt Alliance and commit to:

- **Recognise the legitimacy of cobalt from responsible ASM operations**
- **Contribute resources to the development of responsible ASM Cobalt**
  - **Promote the goals of the Fair Cobalt Alliance**

Collectively, Fair Cobalt Alliance supporters and members contribute to a cohesive agenda that

- 1. improves working and environmental conditions at ASM operations;**
- 2. mitigates and remediates child labour; and,**
- 3. fosters alternative livelihoods and builds resilient local economies.**

All supporters and members of the Fair Cobalt Alliance endorse our Principles for Collaboration:

- I. Avoiding duplication of efforts through transparent communication and planning.
- II. Maximising impact through proactive sharing of (monitoring) data, research and management tools.
- III. Working through local organisations and building local capacity whenever possible.
- IV. Crediting whomsoever credit deserves for joint-effort achievements.
- V. Reporting impacts transparently and publicly and sharing lessons learned as widely as possible.

**Acknowledged and agreed by:**

**Fair Cobalt Alliance**

Assheton Stewart Carter,  
FCA Secretariat

**Organization**

Representative  
Title

**Signature:**

**Signature:**

**Date:**

**Date:**



## Appendix 2 - Volume-based Contribution Mechanism

The FCA encourages Supply Chain Member organisations to contribute to the it's programme in proportion to the amount of cobalt used in their own production. To make this possible, the FCA developed a contribution mechanism with the potential of allowing traders and (crude) refineries to make credible mass balance sourcing claims<sup>13</sup>, which could be expanded to companies along the supply chain once sufficient volumes of fair cobalt reach the market.

Such a mechanism would also works for mid- and downstream companies that do not actively pursue physical integration of Fair Cobalt in their supply chain. Reasons for not pursuing supply chain integration could be the complexity of the supply chain in question and/or the costs associated with establishing a mass balance claim.

If that is the case, but companies are still interested in making a contribution linked to the amount of cobalt used in their production, the Supply Chain Contribution Mechanism offers the option of utilising a book and claim model<sup>14</sup>, offering contribution credits linked to the actual amount of cobalt used in one's supply chain.

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<sup>13</sup> Mass balance accounting

Mass balance accounting should be considered when the potential benefits of full traceability are not justified by the associated costs. Mass balance is adequate when buyers want to get assurances that the entirety of the material produced originated from known sources, and has undergone adequate due diligence. In practice, mass balance means that the actual material is mixed with other non-certified/foreign material, but that at the end of the processing, no more than the original volume is sold on to the next actor.

Non mineral examples of mass balance systems can be found in a palm oil certification system (Roundtable for Responsible Palm Oil), where producers gradually increase the content of certified material, without segregating the palm oil in. the process. In ASM gold production, mass balance accounting is currently used/allowed by both Fairtrade and Fairmined due to the difficulty of refining gold maintaining full traceability. Fairphone has introduced a mass balance model for the sourcing of Fair Cobalt in Q1 2020.

<sup>14</sup> Book and claim



## Cobalt Producers

Once a cooperative formally commits to the implementation of a tailored CIP and is backed by sufficient funding to start implementing it, all cobalt produced on site will be considered as part of the regional responsible cobalt supply. The FCA will monitor production levels per mine site and disclose total production levels in aggregation.

Crude refineries participating in the FCA shall disclose the origin of all cobalt sourced, differentiating between LSM and ASM, and within ASM between FCA project mines and other ASM sites. This means that crude refiners disclose the total volume and relative share of responsible cobalt sourced.

International refiners shall report the identity of crude refiners they are sourcing from as well as volumes sourced, resulting in a mass balance claim of how much responsible cobalt they are sourcing.

As the system gets more widely adopted by (crude) refineries, it will be possible to more reliably quantify ASM production regionally. The FCA's goal is to have the lion share of regional production come from responsible mines sometime in the next few years. Both crude refineries and refineries participating in the FCA are expected to set and meet realistic and timebound targets to increase the total amount of ASM cobalt originating

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Under 'book and claim', the sourcing claim is completely detached from the physical product. The buyer agrees to pay a premium price to cover the costs associated with making the physical product 'green' or 'fair', when sourcing, however, they buy from the open market, not knowing the origin of the material. This system makes sense if the product attributes are indistinguishable from other products. Maintaining any level of traceability would neither increase the intrinsic nor the attributed value. Two examples for this are 'green energy' on the consumer market (as all energy is fed into one grid) and the second is carbon certificates, traded internationally for carbon offtake.



from FCA mines. This goal can be achieved both through disengagement from non-FCA ASM sources as well as efforts to boost production volumes at FCA mines.

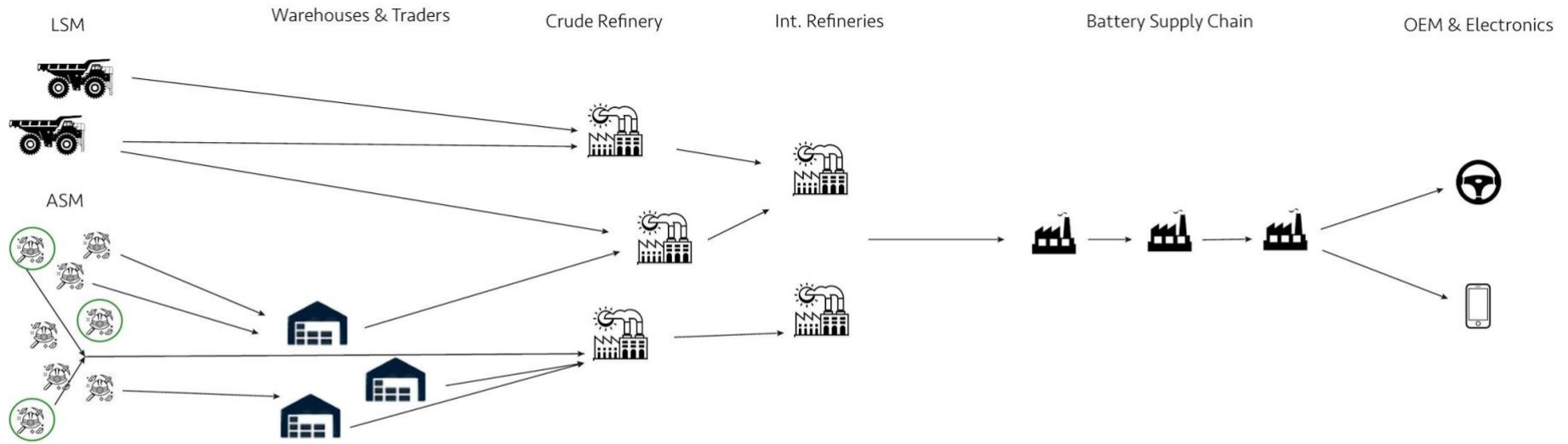
Mid- & Downstream User Members & LSM

Any other supply chain actor participating in the scheme, from cathode manufacturers to downstream brands, discloses the estimated total volume of cobalt used in their product.



This model will be further developed within the first years of the FCA, as new sites and members are onboarded.

Graphic 1: Supply Chain Breakdown of Fair Cobalt Contribution Mechanism



**FULL VISIBILITY ON PRODUCTION**

Regular disclosure of production volume from responsible ASM (all mines on continuous improvement path)

**MASS BALANCE REPORTING**

Warehouses and Traders participating in the FCC need to document the origin of all material bought.

Crude Refiners to report on total volume & relative share of responsible ASM

Refiners to disclose total cobalt sourced and crude refiner origin

**BOOK & CLAIM**

Any supply chain actor can disclose the volume of cobalt used in its product assuming a global ASM production share of 15-20%.

Downstream Brands can either show that actor actors already contributed to the FCC, or compensate on a Book & Claim Basis



## Appendix 3 - Sample Member Claims

Producer (ASM)	The XXX site is an ASM Producer Member of the Fair Cobalt Alliance; we are committed to continual improvement of our operating practices and aim to achieve all indicators in our mine improvement plan by 2022.
LSM (regionally active)	The XXX site is a Fair Cobalt Alliance LSM Producer Member. We are committed to constructive ASM engagement, contributing to advancing the FCA programme in Lualaba, DRC, and [optionally] (fully) sponsoring a specific project under the FCA programme.
Crude Refineries	The XXX refining facility is a Fair Cobalt Alliance Refiner Member. We are aspiring to gradually increase the amount of Fair ASM Cobalt sourced from (disclosing the ratio) % to 100% by 2030 and we contribute USD X to mine improvements plans at participating FCA ASM producer sites.
Down- and Midstream - Annual Membership Contributions	XXX brand, is a Fair Cobalt Alliance Member, contributing to/(fully) sponsoring a specific project under the FCA programme
Down- and Midstream Volume-based Contributions	XXX cobalt using company, commits to contribute to the expansion of the production and supply of Fair Cobalt, [optionally] based on total cobalt used in our supply chain.
Non-Supply Chain Actors	The 'Auto-Group for a Sustainable World', is a Fair Cobalt Alliance Member, contributing to/(fully) sponsoring a specific project under the FCA programme
Implementing Partners	Community Development Inc.' is an implementing partner of the FCA, contributing to global fundraising efforts of the FCA's integrated programme and implementing (their specific project).



