

# **Advisory Board Meeting Summary**

held on 22nd June 2023



### Advisory Board members present

<b>Stacy Hope [Chair]</b>	<b>Women In Mining UK</b>
<b>Angela Jorns</b>	<b>Fairphone</b>
<b>Benitha Tambwe (on behalf of Paul Mabolia)</b>	<b>CTCPM</b>
<b>Brieuc Debontridder</b>	<b>Author and Photographer</b>
<b>Holger Grundel</b>	<b>Levin Sources</b>
<b>Jaimie Wallisch (On behalf of Jared Connors )</b>	<b>Assent</b>
<b>Nikolaus McLachlan</b>	<b>Cobalt for Development</b>
<b>Jose Diemel</b>	<b>Independent Consultant</b>
<b>Richard Robertson</b>	<b>RMAC Global</b>
<b>Olivier Delafoy</b>	<b>Mining and Business</b>

### Absent Advisory Board members

<b>Auguste Mutombo</b>	<b>IDAK</b>
<b>Jose Diemel, PhD</b>	<b>Assent</b>
<b>Hugh Brown</b>	<b>Photographer</b>
<b>Nicole Hanson</b>	<b>LME</b>
<b>Sebastian Vetter</b>	<b>BGR</b>

### FCA Secretariat Members present

<b>Alexandra Lukamba</b>	<b>The Impact Facility</b>
<b>Candice Jumwa</b>	
<b>David Sturmes</b>	
<b>Laura Gerritsen</b>	

<b>Abbreviation</b>	<b>Definition</b>
<b>AB</b>	<b>Advisory Board</b>
<b>CMDS</b>	<b>Coopérative Minière pour le Développement Socia</b>
<b>FCA</b>	<b>Fair Cobalt Alliance</b>
<b>OHS</b>	<b>Operational Health and Safety</b>

## **Meeting Agenda**

- Introduction of new FCA Staff Member
- Introduction of new AB Member
- Programmatic update from the FCA Secretariat
- Discussion point 1: ASM Cobalt Credits
- Discussion point 2: FCA M&E Framework
- Chairmanship for 2023
- AOB

## Member introductions and programmatic updates

- New members of the FCA team and the Advisory Board were introduced to the board.
- Programmatic updates were provided to the AB on the work done since the beginning of the year.

## Discussion point 1: ASM Cobalt Credits

The FCA has pivoted and prioritised the development of the cobalt credit scheme as a more immediate solution to connect downstream cobalt users with the production upstream and, through this model, channel investment into the mine sites and drive continuous improvements to enable their ultimate compliance with specific standards such as the RMI framework. A supply chain integration task was convened with eight members of the FCA to ensure that the FCA integrates responsible cobalt from the ASM mine sites into global supply chains and downstream companies' products, one of the organisation's goals.

- The concept is similar to energy credits and the green energy sector, where downstream companies connect with upstream producers and pay a premium for more responsible/sustainable practices without necessarily taking the physical material into their supply chain - commonly known as a Book and Claim mechanism. This means the credit is not linked to the physical cobalt once it leaves the mine site.
- The system will be linked to downstream companies' cobalt use since ASM contributes 10 -15% of annual cobalt production.
- In practice, this means recording the volumes of cobalt the mine cooperative CMDS is producing at Kamilombe. The FCA creates a digital certificate that a downstream company can purchase for every tonne of cobalt the cooperative produces, paying a sustainability premium that goes into a mine improvement fund, a dedicated bank account set up and managed by The Impact Facility. The fund will be audited by a 3rd party to reduce the risk of mismanagement and embezzlement.
- A premium allocation committee existing at the mine site level, which includes cooperative members and workers representatives, then defines priorities for further improvement in line with the four mine site priorities listed below:
  - Improved occupational health and safety
  - Child rights protection
  - Improved conditions for workers and surrounding communities
  - Business professionalisation.
- Each of the priorities is designed as a project and implemented, monitored and reported to the cooperative and the buyers through quarterly meetings to track

progress and receive financial reporting, during which the funds estimated to be received during the next quarter are highlighted and discussed.

- The cooperative is committed to being transparent with its production. Based on the mine's development plan, co-designed with the FCA, the cooperative can ask the FCA to finance their priority investments. The mine does not receive direct cash but training or investments, which they codified as a priority.
- Companies like Fairphone can contribute to further improving the mine and already claim and acknowledge that the mine is on a path towards improvement.
- Kamilombe is the pilot mine site before scaling to other mines upon its success.
- The premium has been set at \$5000/tonne, roughly 10% of the average price over the last three years. Currently, it's more than 10% as the cobalt price is low.
- The ultimate goal is to enable physical integration, but the credits provide an interim solution.
- The claims will be tied to the company's overall cobalt footprint - which the FCA will help shape as part of its service offering to the buyers.

The task force has been working out the mechanisms of the credits, which are currently in draft form. Several aspects still need to be figured out, including:

- There is a need to have a credible system in place to know how much is produced at the mine site and how to prevent cobalt from being claimed by other mine sites.
- The task force must also determine the minimum ESG requirements for mine sites participating in the credit system to guide where funds will be prioritised and spent.
- The governance of the funds will also need to be properly defined, including how the cooperative and the miners on the ground will have a say in using the funds as per their priority needs.
- The pricing of those credits is also a key point of discussion. How should we set this up? What is a reasonable price that helps improve things on the grounds but is also realistic for companies to engage? Fairphone, a founding member of the FCA, is a relatively small user, but there are companies with much higher cobalt use and pricing needs to encourage their engagement.
- Company claims are an important topic because there have been many discussions about carbon credits and their credibility. Given that this scheme is different from the carbon credits setup, the task force is taking learnings from different sectors and is mindful of creating claims that can be supported by civil society or other actors to avoid accusations of overstating or over-claiming.
- Lastly, the verification and assurance on the financial and ESG sides need to be streamlined.

- A basic chain of custody on the site is being set up, which will help physically integrate cobalt into formal mine sites in the future. The team on the ground has been working to create documentation on production indicators, proof points, and tools to share with the task force.
- Task force members are interested in the approach and in shaping it further. Some larger automotive companies have also expressed interest.
- With the ongoing development, the claim is almost at a final stage before it can be presented to many stakeholders.
- The OECD also believes it's a worthwhile concept to explore and is curious about progress. OECD guidance explicitly says that where there is a complex development challenge, collective action and continued engagement with mineral producers are encouraged.
- The mechanism does not prevent anyone from verifying their supply chains' traceability, as it's not a claim on the physical product, so company due diligence must continue.
- The discussion points presented are vital questions that the task force received from other feedback rounds when the concept was presented at the OECD and discussed with the FCA Steering Committee, and they would like the members' support in fleshing them out.

**Question from the AB:**

Will the company be compelled to pay for the credits?

- Certificates would be generated, but there remains a guarantee that all will be sold.
- The preference for the mechanism is for the premiums to be factored into the product cost rather than the companies' CSR budget. For example, the company can increase product cost by 1% as they will be paying for 10% of their production on premiums from 10% of cobalt value.
- Fairphone aims to state that 100% of the cobalt used in its products is matched in credits. This will translate into a 10-cent increase against the current consumption. Rough estimates of an EV price indicate a \$60 increase in the car price for 100% of cobalt consumption is claimed or \$6 - 10\$ if they make claims against 10% of cobalt consumption.

**Reflections from the AB:**

- One challenge will be finding a limit to the companies' charity and what they do to enable responsible sourcing.

- Since the scheme is mineral agnostic, the FCA should use one term when referring to the scheme, preferably Responsible Mineral Credits (RMC), to avoid any confusion in the future.
- Any communication on the credit scheme should be very precise as part of the efforts to avoid the greenwashing claims now common in the carbon credit space.

Members are advised to review the discussion points and revert via email with any written feedback and questions. This feedback should be directed towards Angela Jorns, the task force Chair.

## **Discussion point 2: FCA M&E Framework**

- The Secretariat expressed gratitude for the support of Levin sources and other stakeholders in creating the Monitoring, Evaluation and Learning (MEAL) Framework.
- The framework, whose development started in November 2023, was created to measure and evaluate the impact of all FCA interventions to gauge progress against the goals of the organisations and, as such, inform priority setting for the MSI.
- The work is based on the workstreams initially defined by the FCA, looking at inclusive economic development, child labour remediation, safe and dignified working conditions and the overall environment to increase industry acceptance for ASM cobalt.
- All workstreams are linked to a detailed results chain that outlines each workstream's activities, outputs and outcomes. The framework is not static; the activities will change over time based on progressive learning.
- Multiple feedback rounds have occurred at the Steering Committee level and with external parties, finalised in February and March, and developed into comprehensive questionnaires rolled over to 96 different mine workers, 19 women workers and 95 community members.
- An external consultant collected the baseline data. In the future, the FCA will undertake the data collection for cost saving but will leverage external third-party validation for verification.
- Data collection was finalised in May and analysed in June and July. From that, the Secretariat will develop an adjusted measurement framework, factoring in the baseline survey results to limit the indicators to those that the Secretariat is confident in their implementation.

- Some indicators, for example, improving workers' income, have proved challenging to measure and, as such, may have to be measured using a different methodology in future surveys.

**Observation from the AB:** In research taken by one of the board members in 2016, they observed a need for more collaboration and willingness to share information between stakeholders working towards similar goals. How does the FCA plan to use the existing results?

**Response from the FCA team:**

- The baseline survey results will be used to inform ongoing and future FCA interventions. The miners are encouraged to provide interventions to be prioritised.
- The FCA also aims to be transparent to allow other stakeholders to learn from the framework and challenge the organisation's approaches.
- The Secretariat will also consider sharing the results with other industrial actors in Kapata who implement community projects that may benefit from the information gathered.
- Regarding interoperability, FCA's capacity is limited, so partnerships with research organisations and universities will come in handy and we are happy to take recommendations from the board members.
- Our data can contribute to a more nuanced perspective of the ASM sector. Once data collection is complete and analysed, the Secretariat will present it to the AB and seek suggestions on how to link the information to other organisations whose insight and collaboration may be of mutual benefit to the FCA in the future.
- One member of the AB commends the team on creating the MEAL and the commitment to transparency, which can push other organisations to be more transparent with the impact of the interventions.
- The Chair recommended that the Secretariat also engage with Women in Mining DRC, who are primarily involved with industrial mining activities, but looping them in ensured a gendered lens is upheld and increases FCA visibility.

**Chairmanship for 2023**

- Stacy Hope's Chair role is ending, and the Secretariat is looking to get a volunteer chair for the subsequent two sessions - an opportunity to lead a diverse group of experts in providing constructive criticism and guidance in the FCA's work.
- The Secretariat will email the entire group to invite members to volunteer for the role.