

Sustainable Procurement Framework for Lithium



Introduction

Umicore is a global materials technology and recycling group that purchases and recycles metals for use in a wide variety of products and technologies.

Umicore's relationships with suppliers and customers are essential to build financial and economic value, and play a key role in the promotion of social and environmental best practice. At Umicore we are committed to the principles of ethical business and sustainability, and we seek to conduct business with partners that are equally committed.

Umicore's business unit Rechargeable Battery Materials (RBM) is an innovative leader in cathode materials used in lithium-ion batteries for electrified transportation, portable electronics, energy storage and power tools. To produce its cathode materials, Umicore sources lithium hydroxide and lithium carbonate.

Umicore is committed to limiting its impact of extraction and processing of battery materials on people, society, and the environment. To prevent and mitigate risk in Umicore's supply chain, and consequently that of its customers, Umicore has put in place a Global Sustainable Sourcing Policy that is complemented by the introduction of this tailored sustainable sourcing framework for lithium.

Part I presents the heart of our Umicore culture, The Umicore Way, and describes our policy relevant to purchasing raw materials, implemented in Umicore's Global Sustainable Sourcing Policy.

Part II describes in-depth Umicore's lithium-specific policy, implemented as the Sustainable Procurement Framework for Lithium. It explains how Umicore established this framework, and how it assesses and responds to the risks in its lithium supply chain.

Part I.

The Umicore Way

The Umicore Way is at the heart of our culture. It encapsulates our core values that determine how we do things. It incorporates policies and charters to ensure our activities are conducted in line with these values. These policies include the Umicore Code of Conduct and the Global Sustainable Sourcing Policy.

Vision and Values

Umicore believes that metal-related materials have a vital role, as they can be efficiently and infinitely recycled, which makes them the basis for more sustainable products and services. We invest in clean technologies, such as catalytic converters and materials for rechargeable batteries. Our unique recycling technology supports a closed-loop approach. As such, our products and services help tackle global challenges, like raw materials shortages, clean mobility and sustainable energy generation and storage. We want to be and remain the leader in the development and supply of materials that fundamentally improve the quality of life.

Our core values are openness, respect, innovation, teamwork, and commitment. Together they form the key to our success; together they create our culture.

Code of Conduct

The main purpose of Umicore's Code of Conduct is to ensure that all persons acting on behalf of Umicore perform their activities in an ethical way, in accordance with laws and regulations, and with the standards Umicore sets through its policies, guidelines, and rules. In practice, this means upholding and respecting fundamental human rights when conducting our operations throughout the world, applying high standards of business and personal ethics, and following all applicable laws and regulations in the countries where we operate. Moreover, we seek to avoid situations that create or have the potential to create a conflict between the interests of Umicore and our personal interests. We therefore seek business partners whose policies and practices regarding ethical, social, environmental, and health issues are consistent with our own.

Global Sustainable Sourcing Policy

The [Umicore Global Sustainable Sourcing Policy](#) (UGSSP) defines what sustainability means to Umicore in purchasing. The policy was developed to better reflect our commitment to sustainability in all areas of procurement – be it raw materials, energy, other goods, or services. It outlines our commitment to our suppliers in terms of our own conduct and practices. In return, we expect that our suppliers take all necessary steps to ensure that their practices are compatible with the content and spirit of the UGSSP, which focuses on the areas of environment and climate, labor practices and human rights, supply chain, and business integrity.

Part II.

Sustainable Procurement Framework for Lithium

Umicore has developed a dedicated framework for the sourcing of lithium, considering the specific risks that are currently linked to the mining and processing of lithium.

The Sustainable Procurement Framework for Lithium follows the five (5)-step process for risk-based due diligence as outlined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals, and the OECD Due Diligence Guidance for Responsible Business Conduct. Through the Sustainable Procurement Framework for Lithium, Umicore aims to minimize the risk of any possible connection between the lithium in its supply chain – and subsequently that of its customers – and harm

on people, society, or the environment. This means that Umicore will not only seek for optimization of price, quality and availability but also will consider the social and environmental impact of the practices upstream in the supply chain of its lithium products. How Umicore assesses its sourcing practices and related risks; and how it responds to the risks or indications of potential irresponsible sourcing are explained in the following sections.



Umicore's risk prioritization

Our due diligence process, as described below, will check that we only source lithium responsibly. In line with international standards, we will screen for potential risks to people, society or the environment. In addition to enhanced due diligence related to mineral origin from and/or transit through conflict-affected and high-risk areas (CAHRA), our risk assessment will be guided by Umicore's risk indicators, the so-called "zero-tolerance issues" and "issues of concern". Their scope is further specified in a list of performance expectations, giving guidance on what is expected from suppliers.

Zero-tolerance issues

Zero-tolerance issues are evidence-based practices that are considered by Umicore as unacceptable and may lead to disengagement from the concerned party. We will neither tolerate nor by any means profit from, contribute to, assist with, or facilitate the commission of any of the zero-tolerance issues, where these are directly related to any product obtained by Umicore in its lithium supply chain.

All lithium suppliers of Umicore are screened for (indications of) zero-tolerance issues. During this screening, specific information on the possible prevalence of zero-tolerance issues is collected and assessed. Even if only an indication of a zero-tolerance issue is observed, required mitigation actions will be set up.

Zero-tolerance issues are listed as follows:

- Any form of torture, cruel, inhuman treatment or punishment or worst forms of degrading treatment.
- Any form of forced or compulsory labor.
- Worst forms of child labor.
- War crimes or serious violations of international humanitarian law.
- Direct or indirect support to non-state armed groups, public or private security forces.
- Bribery and fraudulent misrepresentation of the origin of minerals.
- Money laundering and tax evasion.
- Illegal encroachment on protected areas, key biodiversity areas and/or reserves.
- The supplier is not willing to accept the principles stated in the Umicore Global Sustainable Sourcing Policy or does not have similar policies in place.

Based on the collected and available information, Umicore will evaluate the presence or indications of potential zero-tolerance issues. Umicore commits to further investigate any indication to have assurance on the sustainable and ethical practices of the supplier. For those suppliers where evidence(s) of zero-tolerance issue(s) are identified, Umicore will cease the business relationship.

Issues of concern

In addition to the zero-tolerance issues, Umicore will identify 'issues of concern'. To give guidance on their scope, a more extensive set of 'performance expectations for lithium' has been developed. Practices are considered issues of concern, when they do not match these expectations, but can be remediated via a dedicated action plan. Any indication or evidence must be directly related to products obtained by Umicore in its lithium supply chain.

When screening a lithium supplier for indications of issues of concern, all information collected throughout the due diligence process is assessed and screened for the possible prevalence of issues of concern.

Issues of concern are listed as follows:

- The supplier does not have the minimum required legal permits and certificates.
- The supplier has not adopted appropriate remediation actions and mitigation plan related to any historic zero-tolerance issues that can be linked to Umicore's current supply chain.
- The supplier does not have procedures in place to minimize environmental and climate impact;
- The supplier does not have procedures in place to ensure a working environment that respects human and labor rights.
- The supplier does not have procedures in place to minimize adverse social impact.
- The supplier is not certified nor committed to be certified against OECD Annex II and/or OECD-aligned Due Diligence.
- The supplier is not certified nor committed to be certified against a third-party audit sustainability program in accordance with Umicore requirements.

Performance expectations

The outlined performance expectations give guidance on the scope of the issues of concern. The purpose is that suppliers work towards these expectations and can as such avoid the occurrence of issues of concern. Gaps will be addressed through action and mitigation plans as set up between the supplier and Umicore.

A. Labor & Human Rights

The supplier must implement a policy, a management system and practices (incl. training) to ensure respect of the following principles:

1. Freedom of association and the right to collective bargaining.
2. Promotion of diversity and inclusion, of equal opportunity, elimination of discrimination and harassment, ensuring fair treatment in the workplace.
3. Compliance with all applicable laws regarding wages, benefits and working hours (including overtime).
4. Employee and contractor health and safety including training and continuous improvement.
5. No employment of children under the age of 15 or the minimum age outlined in national law, whichever is higher.
6. No exposure of employees under the age of 18 to hazardous work (ILO Convention No. 138).
7. Any of the zero-tolerance issues, including child labor, forced labor and inhuman treatment.

The supplier must implement, based on risk, a human rights and security approach consistent with the Voluntary Principles on Security and Human Rights.

B. Business integrity

The supplier must have the minimum required legal permits and certificates.

The supplier must foresee a process for stakeholders to report grievances including an anti-retaliation mechanism.

C. Environment

The supplier must have a policy, a management system, and practices (incl. training) in place to minimize their environmental impact including in terms of:

1. Emissions to water, air and soil.
2. Solid/liquid waste generation and hazardous products.
3. Energy generation.
4. Emissions of greenhouse gases.
5. Water usage.
6. Biodiversity.
7. Land use change.

The supplier must have procedures in place to prevent incidents; and/or does have an emergency response procedure to minimize their impacts, should an incident occur.

The supplier must have a documented plan with stakeholder inputs that addresses environmental and social aspects and makes financial provisions for closure and reclamation of the site / facility.

D. Community & stakeholders

The supplier must identify community needs in consultation with affected communities, develop a plan, and commit resources to support community development.

The supplier must respect the rights, interests, aspirations, culture and natural resource-based livelihoods of Indigenous Peoples in project design, development and operation and apply the mitigation hierarchy to address adverse impacts.

The supplier must avoid the involuntary physical or economic displacement of families and communities, and/or must have taken steps to do this according to best practices.

Regarding sustainability, Umicore actively encourages and expects all its suppliers to show good practice through certification against a third-party audit program on the ESG topics as described in the performance expectations. Suppliers are expected to initiate a certification process latest by 1/12/2023, with the objective of full compliance by 31/12/2025. Relevant standards for refiners include the RMI RMAP; relevant standards for miners include the Standard for Responsible Mining from the 'Initiative for Responsible Mining Assurance' (IRMA), ICMM Mining Principles, Towards Sustainable Mining (TSM) or similar.

In case they are not yet certified, suppliers are expected to initiate the certification process within the year of date of signature of a contract with Umicore.

E. Contractors and supply chain

The supplier must actively support the adoption of responsible health and safety, environmental, human rights and labor policies and practices by contractors and supply chain.

Depending on the standard and its scope, Umicore may require additional assurance on missing elements compared to Umicore's performance expectations.

F. Standards and certification

The supplier must be certified or commit to be certified by 31/12/2025 latest, against an OECD-aligned due diligence standard. As a producer, the supplier must ensure compliance with the OECD guidance for OECD Annex II risks.

Umicore's due diligence process

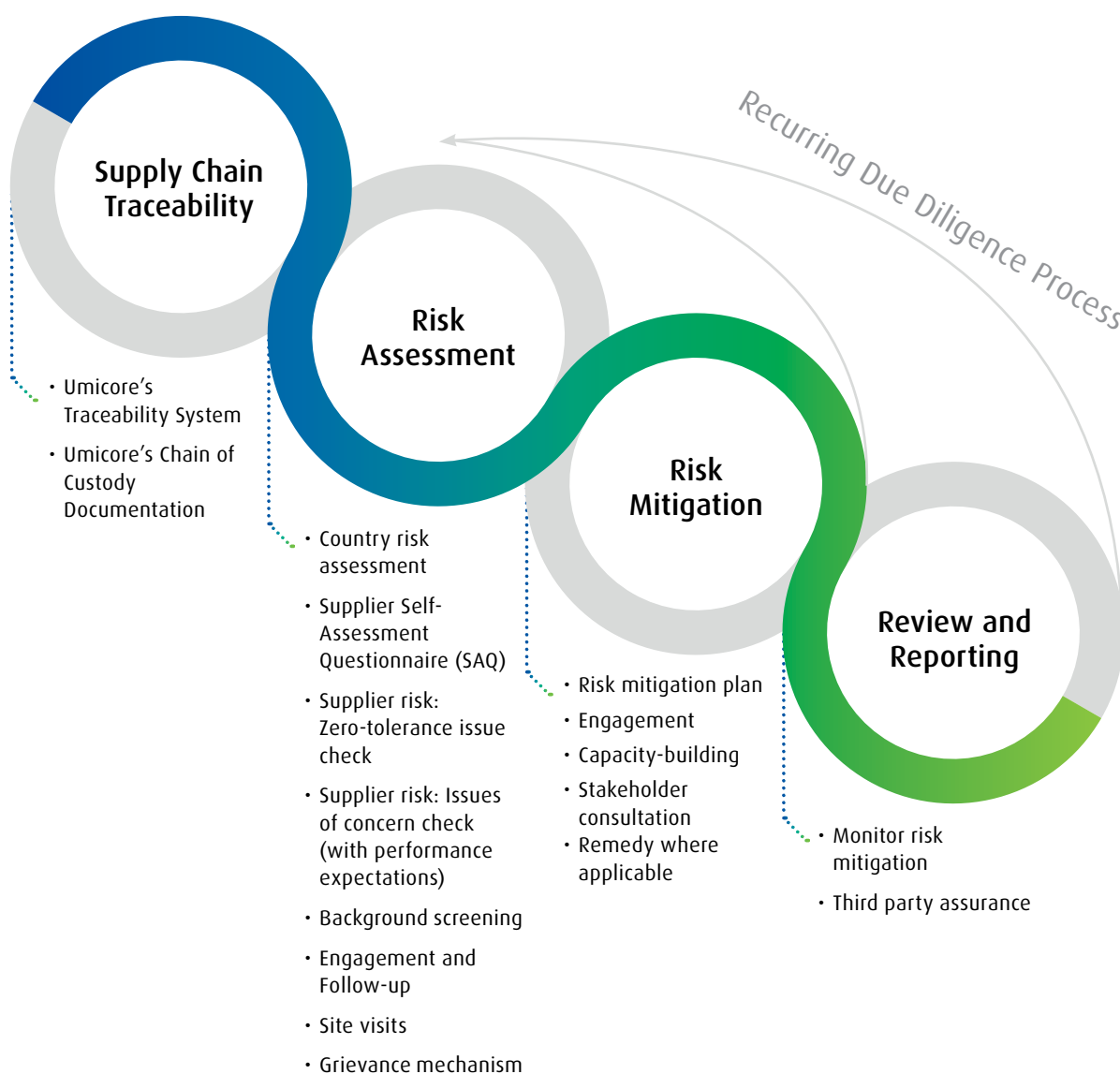
Umicore developed a management system to perform due diligence in its lithium supply chain, whereby risks will be prioritized based on the severity and likelihood of harm on people, the environment or society.

Also, activities that cause or contribute to adverse impacts of risks identified, should be prioritized over activities that are linked to adverse impacts. The members of the supply team occupied with lithium sourcing are trained to apply the framework in their daily supply practices, and a dedicated responsible sourcing team is entrusted with the application of the framework and screening for risks in the affected lithium regions and industry. A dedicated lithium-sourcing committee, referred to as the Approval Committee, is responsible for the principles

and guidelines in the framework and has overall control and decision-making powers.

The Approval Committee includes a member of the executive committee of the Umicore Group.

For new suppliers, the due diligence process will lead to the decision to accept or refuse the supplier in Umicore's supply chain. For existing, already approved suppliers of lithium containing raw materials, a recurring due diligence process is in place to repeatedly review and reassess these suppliers. Umicore performs its due diligence as illustrated in the figure below. The practical application of each step is explained in the following sections.



Supply chain traceability

As a first essential step of Umicore's lithium due diligence implementation, Umicore identifies and registers the source of all its lithium-containing raw materials. This traceability system builds on Umicore's thorough transaction and logistical system. Umicore tracks the origin of all its lithium raw materials to the level of the mine in the case of primary raw materials.

A robust lot-receipts process ensures that all transactional and logistical documents are obtained and registered. The combination of this logistical documentation – referred to as Umicore's chain of custody documentation – with commercial documentation, market knowledge and plant visits, provides a comprehensive overview on the source of the raw materials.

Moreover, Umicore maps its entire raw material flow, production processes and product flows for lithium all the way from the incoming raw materials to end-product sales. By doing so, it achieves excellent raw material traceability for all its end-products, and confidence that it has a robust mapping of its complete lithium supply chain.

Risk assessment

• COUNTRY RISK ASSESSMENT

All countries are assessed on their risk, to identify high risk countries, which will trigger due diligence. All countries are regularly checked against a variety of qualitative and quantitative criteria, such as inclusion on the EU CAHRA (conflict-affected and high-risk areas) list; inclusion on the US Dodd-Frank Section 1502 list, whether any sanctions have been issued against the country, as well as scoring against multiple indices across the categories of conflict, governance, human rights, and environment. High-risk will automatically trigger a background screening in addition to the supplier self-assessment questionnaire, and for suppliers sourcing from or transporting through high-risk countries, an on-the-ground risk assessment will need to be conducted at least every three years. For medium and low-risk countries, suppliers will be asked to complete the self-assessment questionnaire and additional screening will be determined based on this outcome.

• SUPPLIER SELF-ASSESSMENT QUESTIONNAIRE

All suppliers are requested to complete a self-assessment questionnaire (SAQ), that serves as a supplier risk assessment. The questionnaire will be more/ less extensive based on the country risk and the supplier category. The questionnaire will inquire general supplier information, and screen for indicators of risk related to human rights and labor rights, corruption and bribery, environment, health & safety, grievance mechanism, community engagement, supplier due diligence, certification, and others (the 'zero-tolerance issues' and 'issues of concern' including performance expectations, as outlined in this Framework).

Each chapter of the SAQ will explore whether suppliers have the required policies, management systems and practices in place to comply with Umicore's requirements. Suppliers will be asked to provide evidence of these. The respective answers may trigger high risk warning or require further screening. Equally, questions left unanswered, missing evidence (e.g., no policy uploaded) or missing legal documentation will trigger a risk warning and lead to further follow-up.

Suppliers will be asked on an annual basis to update the SAQ and to notify Umicore of any changes in their circumstances and/or risks.

• SUPPLIER RISK: ZERO-TOLERANCE ISSUE CHECK

As described above, zero-tolerance issues are evidence-based practices that are considered by Umicore as unacceptable and lead to disengagement with the concerned party. Through the self-assessment questionnaire and, where applicable, additional background screening, all lithium suppliers of Umicore are screened for (indications of) zero-tolerance issues. During this screening, specific information on the possible prevalence of zero-tolerance issues is collected and assessed. Based on the collected and available information, Umicore will evaluate the presence or indications of potential zero-tolerance issues. Umicore commits to further investigate any indication to have assurance on the sustainable and ethical practices of the supplier. For those suppliers where evidence(s) of zero-tolerance issue(s) are identified, and risk cannot be mitigated, Umicore will terminate the relationship.

• SUPPLIER RISK: ISSUES OF CONCERN CHECK

Umicore's Global Sustainable Sourcing Policy outlines a set of core principles and additional principles for suppliers of critical raw materials. In addition to the zero-tolerance issues, these principles have been further defined for suppliers of lithium as a list of 'issues of concern'. Practices are considered issues of concern when they do not match the expectations held by Umicore towards suppliers but could be remediated via a dedicated action plan. To give guidance on the scope, a more extensive set of performance expectations for lithium has been developed (see above). Suppliers with activities leading to issues of concern are individually evaluated by the Approval Committee, which decides whether to exclude the supplier from Umicore's supply chain, based on the mitigation actions taken.

• ADDITIONAL BACKGROUND SCREENING

Additional background screenings will be required in case of high-risk indicators (country risk or supplier risk through evidence and/or indications of zero-tolerance issues and issues of concern) or any gaps in the self-assessment questionnaire. In addition, based on the volumes and business relationship, Umicore can select key suppliers that due to their business importance will also go through an enhanced due diligence process, including additional background screening. The screenings are based on market and desktop research, which includes reports by media, NGO's, government institutions, internet screening, as well as through dedicated due diligence tools. Furthermore, Umicore builds a strong relationship with all its suppliers. As part of this relationship, Umicore collects on-the-ground information during plant visits, local trips, and stakeholder engagement to gain insights into the supplier's social and environmental performance.

• ENGAGEMENT AND FOLLOW-UP

Where the previous steps show gaps and/or indications of zero-tolerance issues/issues of concern, Umicore will reach out to the supplier in question to map the factual circumstances and follow up on the potential risks. This follow-up may serve different purposes, including but not limited to clarification and verification of missing information, discuss potential mitigation of concerns, and capacity-building. Depending on the situation and the relationship with the supplier, e.g., if there is no direct business relationship, collaborative action with a wider group of stakeholders rather than direct engagement may be the preferred option.

Where possible, Umicore will engage with impacted and relevant stakeholders (e.g. local communities; workers and employees; trade unions; NGOs; industry peers...) to provide additional insight and evidence on the actual or potential adverse impacts that have been identified. In addition, the views of stakeholder and experts can contribute to determining the appropriate responses and risk mitigation actions.

• SITE VISITS

Where the background screening and follow-up engagement have led to high-risk indications that have not been resolved in a satisfactory manner, a visit to the supplier site may be required for an on-the-ground risk assessment. Such assessment can be done either individually by Umicore or collaboratively to gather information on the risks identified. If required by the Approval Committee, Umicore shall be accompanied by independent assessors for a third-party audit. The scope of the audit will be determined by the risk assessment. The outcome of the visit and/or audit will lead to risk mitigation actions.

Based on the country risk assessment, high-risk countries automatically require periodic on-the-ground risk assessment to check at least against OECD Annex II risks. The scope of the required audit could be broadened depending on the risk elements identified through the due diligence. A third-party audit in the context of an industry certification scheme can be considered as well, if the audit has taken place less than twelve months ago.

• GRIEVANCE MECHANISM

Any interested party may voice concerns regarding the circumstances of mineral extraction, trade, handling or export of lithium in our supply chain. Such concerns can be reported (anonymously if required) through the [Umicore integrity line](#) and will be followed up internally with due care.



Risk Mitigation

• RISK MITIGATION PLAN

When risks have been identified through the SAQ, additional screening, follow-up and/or site visits/ audits (depending on the risk level), a risk mitigation plan will be developed together with the supplier, with the purpose being for the supplier to take preventive, mitigating and/or remedial action on the identified issue(s).

Once a risk mitigation plan has been put in place, it will be communicated to senior management within the Approval Committee. Responsibilities will be allocated regarding who is responsible for the follow-up of the specific mitigation plan.

• CAPACITY-BUILDING

As part of the risk mitigation plan, Umicore may, where required, support relevant suppliers and business relationships in the mitigation efforts and help them build capacity, e.g., through training.

• STAKEHOLDER CONSULTATION

Where possible, Umicore will consult impacted and relevant stakeholders (e.g. local communities; workers and employees; trade unions; NGOs; industry peers...) to provide additional insight and evidence on the actual or potential adverse impacts that have been identified and on progress made regarding any risk mitigation actions.



Review and Reporting

• MONITOR RISK MITIGATION

Risk mitigation plans will be regularly monitored and reviewed. At least every six (6) months progress will be tracked and discussed with the supplier in question. This progress will be discussed by the Approval Committee, after which decisions will be taken on the continuation of the business relationship. Progress will be tracked and measured through engagement with the supplier; consultation of and engagement with relevant stakeholders; consultation with local and central authorities where applicable.

Depending on the impact, mitigation actions are expected to be implemented within different timeframes. For any high-risk impacts identified (allegations of zero-tolerance issues) suppliers are expected to have adopted a corrective action plan within three (3) months of engagement and to have implemented corrective action within six (6) months following engagement before a decision to continue, suspend, or terminate will be taken.

For medium-to-high risk impacts (allegations of issues of concern which are additionally assessed on severity and likelihood), suppliers are expected to have a corrective action plan in place within three (3) months following engagement, and to have implemented corrective action within nine (9) months before a decision to continue or suspend will be taken.

• THIRD-PARTY ASSURANCE

In line with the fourth step of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals, Umicore is committed to have its due diligence practices audited by an independent third party. By engaging in this third-party assurance, Umicore is transparent on all its practices and documentation. The involved third-party auditor is verified by an independent institutionalized mechanism. The compliance report of the yearly audit will be made available online via the company's annual report.

References

- The Umicore Way
(<http://www.umicore.com/en/about/the-umicore-way/>)
- The Umicore Code of Conduct
(<https://www.umicore.com/en/investors/governance/documents/code-of-conduct/>)
- Universal Declaration of Human Rights
(<https://www.un.org/ruleoflaw/thematic-areas/international-law-courts-tribunals/human-rights-law/>)
- ILO Declaration on Fundamental Principles and Rights at Work
(<https://www.ilo.org/declaration//lang--en/index.htm>)
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals
(<http://www.oecd.org/corporate/mne/mining.htm>)
- Responsible global supply chain of minerals from conflict-affected and high-risk areas
(<https://www.umicore.com/storage/main/responsiblesupplychainpolicy.pdf>)
- OECD Due Diligence Guidance for Responsible Business Conduct
(<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>)
- United Nations Guiding Principles on Business and Human Rights
(<https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>)

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