



# AFRICAN ENERGY METALS

SOCIALLY RESPONSIBLE MINING IN DEMOCRATIC REPUBLIC OF CONGO

MARCH 2022

## ESG STRATEGY ROADMAP

[WWW.AFRICANENERGYMETALS.COM](http://WWW.AFRICANENERGYMETALS.COM)



# CSR & ESG CREATE VALUE

## 5 AREAS OF VALUE CREATION

Top-line growth	Attract large customers who practice responsible sourcing; better access to resources through stronger community and government relations
Cost reductions	Lower energy consumption and reduced water intake
Reduction of regulatory and legal interventions	Deregulation leads to greater strategic freedom; government support and subsidies; shorter timelines; avoid fines, penalties, enforcement actions
Increased productivity	Employee motivation, social credibility, lowered risk of employee backlash or union protests
Investment and asset optimization	Long term capital allocation leads to enhanced investment returns; avoid investments that may not pay off due to long-term environmental or social issues

63%

of companies found positive findings on the impact of ESG propositions on equity returns, compared to 8% who found negative findings.

*McKinsey & Company. Results of >2000 studies*

85%

of investors considered ESG factors in their investments in 2020

*Gartner Finance, Digital Future of Finance*

10%

lower cost of capital is translated when companies have a better ESG score, as the risks that affect the business are reduced.

*Robin Nuttall, McKinsey & Company*





# SUSTAINABILITY & MINING

## ETHICS

- Mining companies have a history of negligence and environmental degradation
- Often little or no transparency for investigation or public scrutiny
- Having a sustainability strategy is necessary from an ethical perspective and is required to sustain operations in current and future markets

- *In the mining sector, the social pillar is particularly important.*
- *CUCO's strategy must include robust community development, labor & outreach programs.*

## COMPLIANCE

- 2022: Trudeau announces move towards mandatory climate-related financial disclosures for Canadian companies
- Based on the Task Force on Climate-Related financial disclosures
  - Emissions
  - Waste
  - Climate-related performance indicators

## INVESTORS

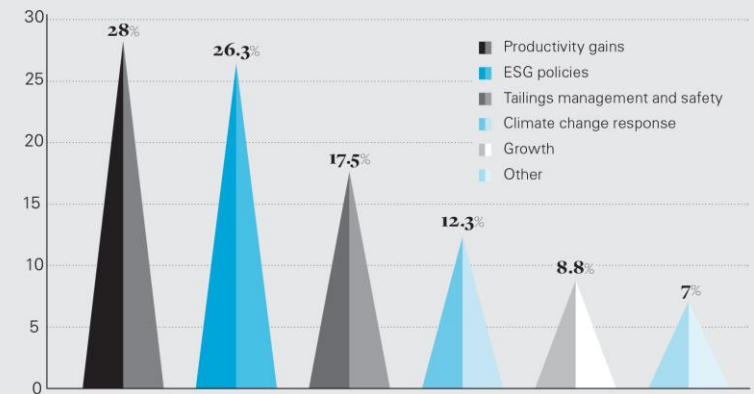
- Sustainability not just about environmental impacts and performance
- Addresses how a company plans to sustain its operations and prosper in a fast-changing world
- Focuses on long-term returns and acts as ensures resiliency of the value chain

## MINING & ESG

"A major study on gold mining companies found that those with social engagement activities perceived to be beneficial by public and social stakeholders had an easier go at extracting the resource, without extensive planning or operational delays. **The companies achieved demonstrably higher valuations that competitors with lower social capital.**"

*McKinsey & Company on "Spinning Gold: the financial returns to stakeholder engagement"*

What will be the main priority for the mining sector?



Source: White & Case 2020 Mining & Metals market sentiment survey

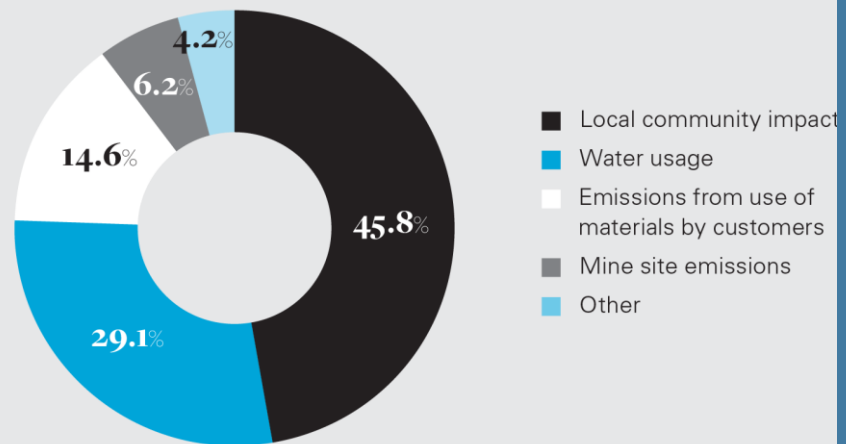


# INSIGHTS

## CONCLUSIONS

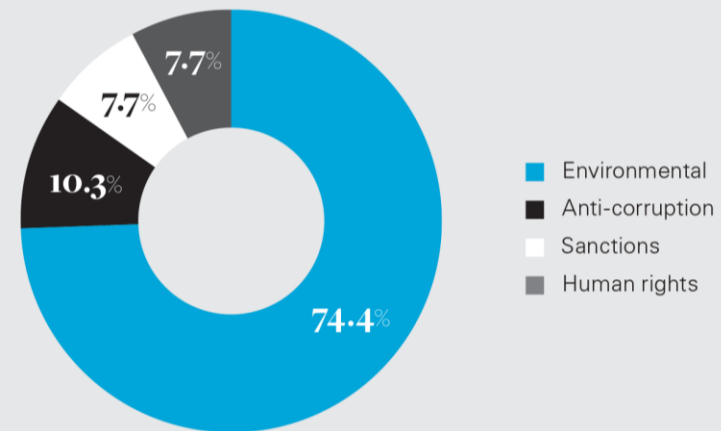
- *Investors will show the most scrutiny on social factors*
- *Enforcers will put most emphasis on environmental factors*

What area of mining & metals will face the most scrutiny from investors and regulators related to the environment and social issues?



Source: White & Case 2020 Mining & Metals market sentiment survey

Which enforcement issues do you think will be most prominent?



Source: White & Case 2020 Mining & Metals market sentiment survey



# BENCHMARKING

3 companies with the largest cobalt mines in the DRC with mature ESG strategies taken as comparatives to extract thematic overlaps:

## ENVIRONMENT

- Waste, water, pollution
  - Mine closure and recovery, end-of-life that limits environmental damage
- Mitigation hierarchy:
  - avoidance, minimization, restoration, offsets
- Emphasis on role of cobalt/battery metals in developing the sustainable economy

## SOCIAL

- Health and safety
- Fair working conditions
  - Eradication of child labor
  - Employment of women and encouragement of micro-entrepreneurship
- Strengthening communities
  - Economic development
  - Access to electricity
  - Support local initiatives
  - Education

## GOVERNANCE

- Support discourse with, and work alongside unions
- Multi-stakeholder approach to decision-making
  - Interests and rights of local and indigenous communities
  - Limit displacement
  - Ensures damages are paid when applicable

➤ *While there are discrepancies in specific social and environmental initiatives (company "causes"), there is a clear industry standard for ESG among mining companies.*

## FRAMEWORKS ADOPTED

- Internationally recognized sustainability frameworks
- Industry-specific best practices
- Third-party certifications
- Internal policy frameworks



# SHORT-TERM STRATEGY

## IMPROVE ESG LITERACY

- Robust understanding of environmental and social risk associated with operations & the industry
- Ongoing discourse about ESG factors and considerations at the ExCo level
- Dedicated integration of ESG into board meetings
- Company-wide education on ESG frameworks
- Define CUCO's ESG strategy mission & scope; set targets

## DOCUMENT

- Transparency is better than perfect sustainability. Track:
  - Facilitation payments
  - Safety incidents
  - Public disclosure of environmental or social risks and the actions taken to mitigate
- ESG recognition and certifications require robust documentation displaying the integration of sustainability considerations at every level
- Measurable data helps avoid greenwashing

## ENGAGE WITH STAKEHOLDERS

- Support discourse with, and work alongside unions
- Take a multi-stakeholder approach to decision-making
  - Interests and rights of local and indigenous communities
  - Limit displacement
  - Ensures damages are paid when applicable

➤ *In developing its ESG strategy, CUCO must ensure to take a 360° approach that considers all the risks it is subject to and collaborate with stakeholders to devise strategic solutions to each, a process which must be robustly documented.*

## AVOIDING GREENWASHING

Misrepresentation of a product, service, or investment, making something appear more sustainable than it actually is.

### Examples:

- Installing solar panels and claiming to be an ESG investment, while still employing child labour.
- Claiming to have social / community benefits through electrification, when the local community has no access to the electricity in question.



# SETTING GOALS: UN SDG'S



## SDG 7

### I-Kabin

- Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries

### Solar Project

- Increase the share of renewable energy in the global energy mix

### Cobalt in EV's



## SDG 8

### Mining, solar, and I-Kabin operations

- Support productive activities, decent job creation, entrepreneurship, creativity and innovation and support micro-entrepreneurship
- Improve global resource efficiency in consumption and production
- Eradicate forced labor, end modern slavery and human trafficking, eliminate child labor



## SDG 12

### Solar project

- Developing countries have 4x more untapped potential for renewable energy
- Reduce reliance on diesel gen-sets in the mining sector, which is threatening achievement of the Paris Agreement
- Carbon Credit Program

### ESG strategy

- Integrate sustainability information into reporting cycle



## ABOUT THE UN SDG'S

In 2015, the UN created 17 Sustainable Development Goals and aimed to achieve them by 2030. All 192 United Nations Member States agreed on these 17 goals to end poverty, ensure prosperity, and protect the planet.



# ALIGNING WITH THE ICMM (1)

Aligning CUCO's operations with the International Council on Mining and Metals policy framework.

## PRINCIPLE 1

### ETHICAL BUSINESS

- Systems for legal compliance with applicable law
- Prevent bribery and corruption through policies and practices, publicly disclose facilitation payments
- Assign accountability for sustainability performance at Board/ ExCo level
- Disclose financial contributions (value and beneficiaries of financial and in-kind political contributions, whether directly or through an intermediary)

## PRINCIPLE 2

### DECISION MAKING

- Integrate sustainability into decision-making, relating to investments and in the design, operation, and closure of facilities
- Support responsible business partners (health and safety, environmental, human rights and labour policies and practices by joint venture partners, suppliers and contractors, based on risk)

## PRINCIPLE 3

### HUMAN RIGHTS

- Due diligence and remediation of adverse impacts caused or contributed to
- Avoid involuntary resettlement
- No child or forced labor, avoid human trafficking, no dangerous/ hazardous work to those under 18, respect freedom of association and collective bargaining, provide mechanism for workers grievances
- Fair pay and working hours

➤ **All the policies and practices used to meet these principles must be tracked and documented.**



## ABOUT ICMM

Performance expectations and position statements on critical industry challenges to support progress towards the global targets of the UN Sustainable Development Goals and the Paris Agreement on climate change.

*Principles:*

1. Ethical business
2. Decision-making
3. Human rights
4. Risk management
5. Health and safety
6. Environmental performance
7. Conservation of biodiversity
8. Responsible production
9. Social performance
10. Stakeholder engagement





# ALIGNING WITH THE ICMM (2)

## PRINCIPLE 5

### HEALTH AND SAFETY

- Pursue continual improvement in health and safety performance with the ultimate goal of zero harm
- Adoption of workplace practices and controls to prevent fatalities, minimize injuries and eliminate occupational diseases
- Monitor performance
- Provide training for workers and implement health surveillance and risk-based monitoring based on occupational exposure

## PRINCIPLE 9

### SOCIAL PERFORMANCE

- Contribute to community development
- Support local economic opportunities
- Conduct local stakeholder engagement
- Collaborate on artisanal mining challenges

## PRINCIPLE 10

### STAKEHOLDER ENGAGEMENT

- Due diligence and remediation of adverse impacts caused or contributed to
- Avoid involuntary resettlement
- No child or forced labor, avoid human trafficking, no dangerous/hazardous work to those under 18, respect freedom of association and collective bargaining, provide mechanism for workers grievances
- Fair pay and working hours

- *Battery & EV manufacturers are increasingly requiring membership prior to purchasing raw materials.*
- *After operations begin and scale, CUCO can apply for membership to the ICMM. It requires robust accounts of operations policies and will help CUCO gain recognition as a responsible miner*

**ICMM**  
International Council  
on Mining & Metals

## ICMM REQUIREMENTS

Becoming a member of the ICMM

- Comprehensive environmental, social, and governance requirements
- Site-level validation of performance expectations
- Credible assurance of corporate sustainability reports with annual disclosure
- Admission process with scrutiny by independent expert review panel



# MEDIUM TERM: JOIN UN GLOBAL COMPACT

## PURPOSE

- Helps guide companies in their sustainability strategies
- Helps companies commit to, assess, define, implement, measure and communicate their sustainability strategy.
- 4 core areas: human rights, labor, the environment and anti-corruption.

## REQUIREMENTS

- Have active operations
- Letter of Commitment to the UN Secretary General committing to (1) implement the 10 Principles of the UN Global Compact, (2) take action in support of the SDG's, (3) submit an annual communication on Progress

## BENEFITS

- Increase trust in the company through a commitment to sustainability
- Universal nature of the principles
- Promotes action on sustainability within the company
- Networking access with participants in nearly every sector in over 160 countries
- Access to partnerships with a range of stakeholders, sharing of best practices and emerging solutions
- Best practice guidance and access to tools, resources, trainings



## ABOUT THE UN GLOBAL COMPACT

Provides a universal language for corporate responsibility and provides a framework to guide all businesses regardless of size, complexity or location, to help them develop their sustainability strategy & succeed in its implementation.

**81%**

of companies attribute progress on their sustainability work to participating in the UN Global Compact.



# LONG TERM: OBTAIN ISO 14001 : 2015

## REQUIREMENTS

- Certification by independent registrar accredited for competence in an industry (e.g., mining), requiring third party audit
- Relied on how effectively a company manages environmental aspects, and how others perceive their effectiveness.
- Certification process requiring robust documentation and proof of constant integration of environmental management considerations and frameworks (no pre-defined criteria) into all operations and activities included in the company's pre-defined scope

## BENEFITS & ADVANTAGES

- Popular and globally accepted environmental standard providing educated awareness of threats to performance, problem areas, and weaknesses
- Market recognition & stakeholder and regulatory appreciation shows that there is a documented systematic process in place for environmental management
- Reduced environmental risk and liability
- Cost savings through waste and reduction, recycling, energy and water conservation
- Effective management practices to achieve and improve environmental performance
- Lower insurance costs, lesser fines or fines avoided altogether



## ABOUT ISO 14001

Specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. Applicable to any organization, regardless of size, type and nature, and applies to the environmental aspects of its activities, products and services considering a life cycle perspective. Does not state specific environmental performance criteria.



# CSR & ESG STRATEGY SUMMARY

## SHORT TERM

- Improve ESG literacy, set a mission and targets, and begin rigorously documenting activities & processes
- Engage stakeholders in CSR strategy planning
- Communicate CSR strategy on website
- Announce short-term ESG policies, practices, and initiatives (I-Kabin, solar project, etc.)
- Feature SDG's and strategy alignment with international initiatives on website (ex. UN SDG's, ICMM)

## MEDIUM-TERM

- Join the UN Global Compact
- Begin philanthropic initiatives and select a company "cause" that tackles a particular challenge of the industry
  - Cause example: Eradication of Child Labour
  - Philanthropic Initiative: CUCO sets up daycare close to the mine, run by women to promote fair female employment

## LONG-TERM

- Pursue ISO 14001 : 2015 certification
- Pursue ICMM membership
- Publish annual sustainability report with progress milestones, emissions reporting, and incremental goal-setting



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