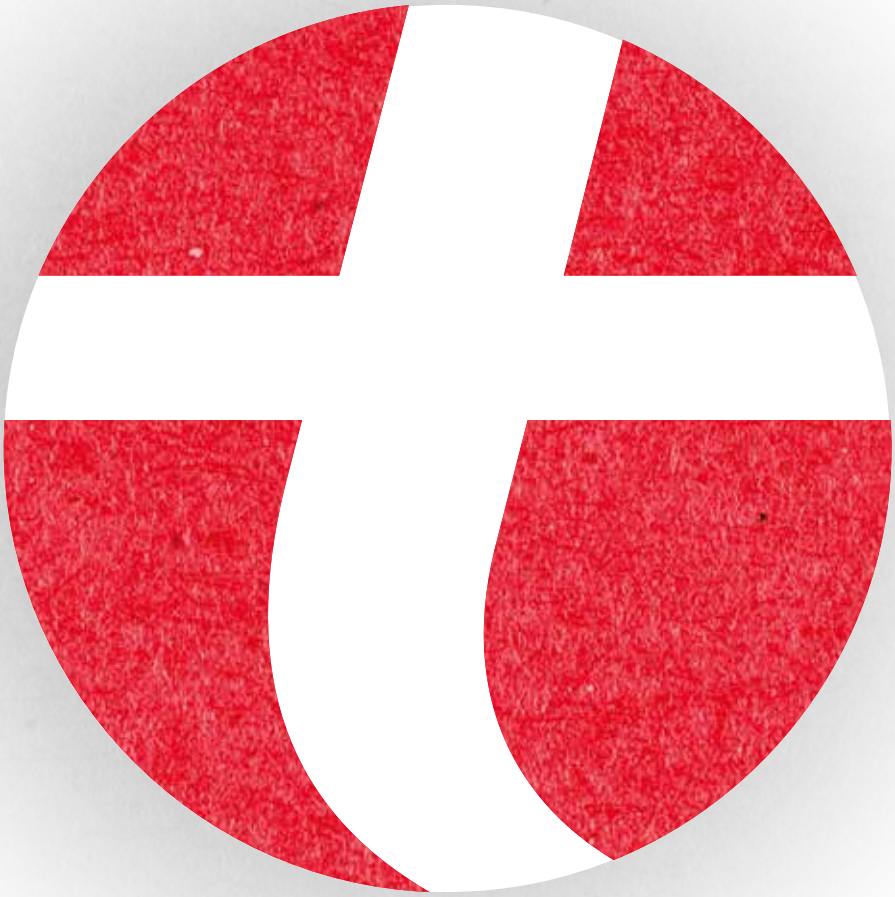
TELF AG Due Diligence Report 2022



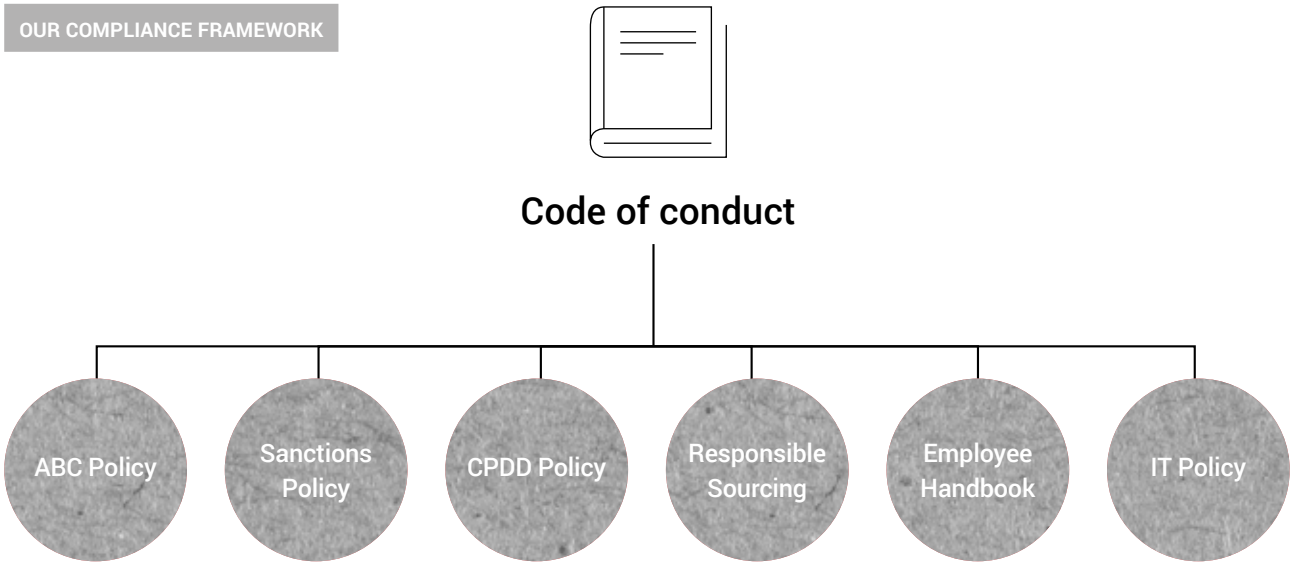
TELF AG

COMPLIANCE AND BUSINESS ETHICS [GRI 3-3]

We comply with all applicable laws and regulations and apply strong ethical standards in all that we do. Any failure in this regard would not only have serious legal implications, but could harm our reputation, impact our commercial relationships and undermine the achievement of our business objectives. In this context, we apply a robust Compliance Framework, which supports the implementation of our compliance commitments, including those relating to sanctions compliance, anti-bribery and corruption, counterparty due diligence, and other applicable legal and regulatory requirements. The Framework is managed by our General Counsel, with support from our Compliance Officer and our broader Legal & Compliance Department.

The Framework has been tailored to focus on business activities that present higher levels of inherent compliance risk. These include, amongst other areas, our export activity, our engagement of third-party intermediaries (including agents, distributors, transportation providers and warehousing/logistics providers), mergers and acquisitions, and the employment of personnel. Our Compliance Officer conducts training on our Compliance Framework as part of onboarding for relevant new employees. In addition, role-specific training on our Anti-Bribery and Corruption Policy is provided for all new hires in our Trading and Operations departments, reflecting the higher levels of engagement with third party intermediaries typically required for such roles.

OUR COMPLIANCE FRAMEWORK



OUR POLICIES [GRI 3-3]

Code of Conduct

Our Code of Conduct (Code) underpins our Compliance Framework. The Code, which is approved by the Management Board, establishes the ethical standards to be applied in our business practices. It also defines the minimum requirements for directors and employees (as well as expectations applicable to third parties acting on behalf of the company), and provides direction and guidance on the application of our Values and Principles in practice.

Amongst other things, the Code sets out:

- Our requirement for directors and employees to comply with all applicable laws and regulations (and be vigilant with regards to the conduct of counterparties). This includes specific requirements in relation to market abuse and competition, bribery and corruption, money laundering and sanctions
- Our commitment to maintaining a safe and healthy work environment
- Our respect for individual freedoms, human rights and dignity, as well as our opposition to discrimination, child labour and forced labour
- Our commitment to respect human rights and decent working conditions, and to promote the sustainable development of local and regional communities
- Our requirement that directors and employees act in the best interests of the company and avoid any conflict of interest

ANTI-BRIBERY AND CORRUPTION

Telf AG is committed to conducting its activities free from the influence of bribery and corruption, as well as money laundering. We only conduct business with reputable agents, advisors, contractors, representatives and other business partners who are involved in legitimate business activities and whose funds are derived from legitimate sources.

Telf AG's commitments in this regard, are set out in our ABC Policy. The ABC Policy was developed with support from a leading US-based law firm, and is aligned to the requirements of a range of global anti-bribery and corruption laws, including the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act (UKBA).

The ABC Policy commits us to combatting corruption and to ensuring that all our employees and third-party representatives fully understand the scope and application of relevant anti-corruption laws, including those with extra-territorial effect. It describes:

- What is meant by corruption
- How it impacts our business
- The specific ways in which we seek to prevent and detect it

In addition, it sets out how Telf AG applies its policies in practice and explains our expectations regarding compliance. The ABC Policy prohibits (amongst other things) the giving or receipt of bribes or similar payments to influence acts/decisions or to gain business advantage/improper advantage. This includes a prohibition on facilitation payments. It also includes strict requirements relating to interactions with agents and other third-party representatives, reflecting the higher levels of inherent risk associated with the same. These requirements are supported via a range of additional measures, including stringent due diligence and onboarding procedures in line with our CPDD Policy.

International sanctions

The nature of our business, as well as the geographical breadth of our activity, means we must ensure, on an ongoing basis, that we are in full compliance with all relevant sanctions and export controls. Our Global Sanctions and Export Controls Policy (Sanctions Policy) establishes a comprehensive and coordinated approach towards Sanctions and Export Controls compliance. Amongst other things, our Sanctions Policy:

- Defines the compliance standards required of our personnel, officers, board members, representative officers, contract workers and agents
- Gives an overview of EU, Swiss, UN and US sanctions regimes
- Provides details regarding potential 'Red Flags' that might indicate certain activities and/or relationships could pose compliance risks
- Sets out applicable sanctions screening requirements prior to the start of a new relationship with a third party, and prior to the performance of third-party transactions
- Provides contractual clauses to be included in agreements with third parties to avoid/mitigate sanctions and export controls risks

The Sanctions Policy sets out the four pillars of our broader Sanctions and Export Controls program:

- Training: We provide training material to help relevant individuals understand how to apply the terms of the Sanctions Policy in practice, as well as opportunities to seek further guidance
- Auditing: We carry out regular internal reviews and audits to ensure compliance with our policies, including our Sanctions Policy
- Management-level reporting: The SECC Officer19 attends Management Board meetings to report on the implementation of the Sanctions Policy
- Board-level decision-making: Where relevant, the SECC Officer can ask the Board of Directors for high-level decisions in relation to policy implementation.

In addition, we maintain the following defined lists to help decide who we can do business with – and what precautions we need to take if we do so:

- 'Black list': Jurisdictions where we do not do any business due to the extensive nature of sanctions applied to them
- 'Red flag list': Jurisdictions that are subject to sanctions and where we must be extra vigilant in terms of compliance
- 'Stop list': Any entity or individual that is on a sanctions list in any jurisdiction and with whom we will not do business

Counter-party due diligence

Our CPDD Policy helps us determine if counterparties (or their ultimate beneficial owners, UBOs) appear on any political or economic sanctions or terrorist financing lists, or are involved in criminal activity, including bribery and corruption and/or money laundering.
We undertake CPDD checks on:

- Those we sell commodities or provide services to
- Those from whom we buy commodities
- Our intermediaries, including agents and distributors
- Our service providers
- The financial institutions through which we receive and send funds

Our CPDD process includes the review of information and supporting documentation requested from the counterparty (such as details regarding corporate/ legal structures and UBOs), as well as online research and searches of compliance databases and watch lists. Lower risk counterparties are reviewed every 24 months after the initial CPDD, with potentially higher risk counterparties reviewed on a annual basis. We also undertake Vessel Due Diligence on all the vessels nominated by our counterparties to carry our products, reflecting the inherent compliance risks associated with the maritime industry. This includes, amongst other steps, undertaking checks of a vessel's IMO (International Maritime Organization) number and relevant certificates, as well as searches of compliance databases and watch lists. We pay particular attention to intermediaries, as they represent higher levels of inherent ABC risk.
In addition to our CPDD process, all intermediaries are required to complete a supplementary due diligence questionnaire. We also apply stringent contractual terms on agents to help ensure compliance with all laws, regulations and policies relating to international sanctions, export controls, bribery, and corruption, and/or money laundering. In addition, we monitor all financial transactions to ensure they are compliant with international sanctions regimes and anti-money laundering laws. This is particularly important in the context of the growing focus that international finance providers are placing on transaction due diligence, as well as hardening regulation such as the European Union's Sixth Anti-Money Laundering Directive (6AMLD).
We regularly respond to transaction information requests from finance providers. We are able to meet these requests in a timely manner due to the comprehensive due diligence information that we store securely on file.

OUR COMPLIANCE PERFORMANCE

[GRI 2-27, 205-3, 206-1]

We were not subject to any fines or non-monetary sanctions in relation to non-compliance with applicable laws and regulations, nor any legal actions for anti-competitive behavior, anti-trust, and monopoly practices. In addition, we were not subject to any investigations, legal actions, or findings in relation to:

- Internationally applicable sanctions
- Anti-competitive behaviour, anti-trust, and monopoly practices
- Corruption involving the company, its employees and/or its business partners

In 2022, there were no corruption and anti-bribery cases recorded at Telf AG.

OUR COMPLIANCE PERFORMANCE

Description	2021	2022
Compliance training new hires	5	9
Compliance training workshop	30	9
CPDD screening agents and distributors %	100	100
CPDD new suppliers	53	56
CPDD new suppliers %	100	100
CPDD new customers	56	44
CPDD new customers %	100	100
CPDD Vessel due diligence	450	470
CPDD Vessels engaged %	100	100
CPDD Red Flags	0	0

RESPONSIBLE SOURCING [GRI 2-23]

Our commitment to ethical sourcing is particularly pronounced in our trading with cobalt sourced from the Democratic Republic of Congo (DRC). Given the unique challenges associated with the operating environment in the DRC and the increasing demand for assurance regarding the conditions of extraction and trading, we have placed special emphasis on ensuring the ethical sourcing of cobalt. We understand the critical need to provide assurance to our customers regarding the origin of our products and the ethical standards applied throughout their production.

Cobalt Due Diligence Programme

Our Cobalt Due Diligence Program, developed in collaboration with specialist consultancy RCS Global, is structured to align closely with the OECD Due Diligence Guidance and CCCMC Due Diligence Guidance in all significant aspects. This program outlines specific steps that Telf AG, along with its suppliers, agents, and industrial cobalt miners, are required to follow, each accompanied by detailed actions to be undertaken by these parties.

Responsible sourcing practices

Responsible sourcing is our dedication to take into account social, ethical and environmental considerations with regards to our products and supply chains and when managing our relationships with suppliers. Currently, we have a Responsible Sourcing Policy in place for Cobalt, and we plan to extend the reach of our responsible sourcing policy to cover all our mineral suppliers by 2023. In 2022, we assessed our priority suppliers' context and social risks.

Responsible Sourcing Policy for Cobalt

The DRC's cobalt production faces significant scrutiny due to challenging local conditions, including weak governance, localized insecurity, limited human rights protection, and issues associated with certain forms of artisanal and small-scale mining (ASM). This scrutiny is especially prominent because cobalt plays a growing role in powering the battery revolution and, consequently, the global transition toward clean energy. Our Supplier Cobalt Standard, which governs the responsible sourcing of cobalt, applies to a broad spectrum of all entities in our supply chain, including suppliers, sub-suppliers, and their subsequent tiers of suppliers who are involved in producing cobalt-containing materials purchased or traded by Telf AG, or who provide services related to our cobalt sourcing activities. This standard outlines specific regulations relevant to the procurement and production processes of cobalt and cobalt-containing materials that are supplied to Telf AG. The primary objective is to ensure full compliance with the stipulations outlined in our Cobalt Due Diligence Policy.

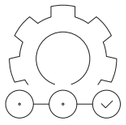
The Supplier Cobalt Standard places a strong emphasis on suppliers conducting requires suppliers to conduct due diligence in accordance with the OECD Due Diligence Guidance across their entire cobalt supply chain. They are obligated to assess whether the cobalt originates from the Democratic Republic of Congo (DRC) or any other identified Conflict-Affected and High-Risk Areas (CAHRAs). If it does, they are obligated to determine whether the cobalt is linked, either directly or indirectly, to any Annex II Risks, as outlined in the OECD Guidance, such as serious abuses associated with the extraction, transport, or trade of minerals or direct or indirect support to non-state armed groups.

Furthermore, suppliers are required to:

- Embrace our Cobalt Due Diligence Policy and distribute it to their sub-suppliers.
- Ensure that their sub-suppliers can reasonably demonstrate that they have followed due diligence procedures in accordance with the OECD Due Diligence Guidance and have met the sourcing and reporting requirements specified in the Supplier Cobalt Standard.
- Establish robust systems to ensure adherence to the due diligence processes delineated in the OECD Due Diligence Guidance, as well as guarantee the cobalt's source (and chain of custody) is free of child labour.

In cases where suppliers cannot reasonably demonstrate their adherence to due diligence practices for cobalt or cobalt-containing products, or their compliance with the sourcing and reporting requirements of the Standard, then they shall not use the affected material in any cobalt-containing product supplied to Telf AG.

The Supplier Cobalt Standard is an integral part of our supplier contracts, and we anticipate that our suppliers, where applicable, will integrate it into their agreements with their sub-suppliers. Suppliers are obligated to provide credible documentary evidence of their compliance with the Standard and subject themselves to audits by Telf AG if required.

Step	Description	Examples / actions
 **1** **Establish strong company management systems**	Establish systems and policies that facilitate the gathering and regular monitoring of information required for risk assess-ment and risk mitigation	The sections above: • Compliance and business ethics • Responsible Sourcing Detail our policy and risk-based approach due diligence system. Furthermore, the fact that we have a single, direct, RMAP- compliant supplier of cobalt means we can easily verify the origin of our material. Our relationship means we have ready access to relevant information (and supporting evidence as requested) – including in relation to the management of human rights, health and safety, the environment and corruption
 **2** **Determine scope of in-depth due diligence**	Review information obtained via relevant Know Your Supplier (KYS) processes and supply chain mapping surveys issued to suppliers to determine: • Countries of origin of cobalt • Countries through which cobalt has been transported • Countries of operation of suppliers and other known upstream companies This is followed by a review of potential 'warning signs', including (amongst others): • Origination from, or transportation through, a CAHRA • Anomalies or unusual circumstances identified through the KYS process which give rise to a reasonable suspicion that the cobalt may contribute to conflict or serious abuses	The fact that we source solely from one industrial producer means we can offer full traceability from the mine to our customers. This includes full transparency (thanks to the nature of the relationship, our KYS process, supply chain mapping efforts and related operational procedures) with respect to: • The origins of the cobalt we purchase (including mine and country) • The countries through which the cobalt has been transported • Where cobalt is processed It also means that: • We are familiar with our supplier's due diligence processes, improvement and mitigation plans
 **3** **Assess risks in the supply chain**	If one or more warning signs are present, then relevant suppliers, agents or industrial miners are required to conduct in-depth investigations of potential supply chain risks in order to determine the type and severity of incidents occurring, and to prepare the risk mitigation process. Efforts include, amongst other things: ASM sources • Unannounced regular mine site visits • Obtaining of origin / transportation data to help establish chain of custody • Commissioning / undertaking of independent third or second-party audits Industrial sources • Details regarding where the supplier sources from (and what percentage is made up of ASM product, if any) • Information regarding due diligence activity undertaken by the industrial miner (including past audit results) • Policy documents (i.e. in relation to responsible sourcing, risk management, upstream auditing, due diligence, etc.)	As part of our due diligence programme, we have conducted the following risk assessment activity • Onsite risk assessment 2018 • Onsite risk assessment 2020 • Onsite risk assessment 2022 In November 2021, NGOs RAID and CAJJ32 released a report "The Road to Ruin: Electric Vehicles and workers' rights abuses at DR Congo's industrial cobalt mines", which made a number of allegations against large scale miners in the DRC, including our supplier. Following these claims, we immediately requested further information from the supplier and subsequently requested multiple updates on their own internal investigations and findings. These investigations were resolved as part of the publication of the operation's RMAP report in July 2022. To help ensure transparency, we extend this information to our stakeholders on a regular basis.

Step	Description	Examples / actions
 **4** **Design and implement a strategy to respond to identified risks**	If risks are identified, decide what action to take in relation to the supplier relationship: • Continue relations whilst applying a risk mitigation plan • Suspend relations whilst applying a risk mitigation plan • Terminate relations The implementation of relevant risk mitigation plans are to be monitored by Telf AG on at least an annual basis. Suppliers will be required to carry out such monitoring (i.e. of their own sub-suppliers) every six months at a minimum.	Our 2018, 2020, 2022 onsite risk assessments and due diligence procedures did not identify any risks that were of a sufficiently material nature to warrant the application of relevant risk mitigation plans. Similarly, the supplier investigations did not identify any evidence to support the allegations raised by RAID and CAJJ in November 2021. Nonetheless, the supplier committed to reviewing and enhancing its management systems around both workers' rights and health and safety. In addition, the RMI notified the supplier that additional testing would be required as a result of these allegations and that the planned certification of the operation would be delayed as a result. As such, PwC conducted additional on-site testing at the supplier plant focused on these specific man-agement systems in May 2022. Findings and recommendations were addressed and RMAP compliant cer-tification was awarded to the supplier in July 2022, further reconfirmed in 2023.
 **5** **Carry our ndependent third-party or second-party audits**	Regularly request (at least on an annual basis) third-party assurance from a certain percentage of its suppliers in high-risk supply chains. Telf AG will also share, with due regard to business confidentiality, audit reports with downstream customers and other stakeholders.	We regularly request third-party assurance from our cobalt supplier (as well as details of their own assurance processes and reports). RMAP assessment was completed at the supplier in early 2022 and the site has been found to be in conformance with the relevant RMI standards. This status was reconfirmed in 2023 We also share resulting audit reports, certification progress and ESG information with our downstream customers and other stakeholders (upon request) on a regular basis. This is typically as part of their own due diligence processes. In 2022, we commissioned RCS Global to carry out an audit of our application of our Cobalt Due Diligence Programme. This was with the aim of helping improve our responsible cobalt sourcing practices and to deliver a higher-level of assurance to our business partners. A copy of the RCS Global audit report is available on request. As an outcome of this process, we decided to extend our Responsible Sourcing Program to all commodities we trade.
 **6** **Report annually on supply chain due diligence**	Report publicly, at least once a year, on the Cobalt Due Diligence Programme, including the communication of: • The Responsible Sourcing Policy • A summary of the Programme and actions taken to implement it • A summary of risks identified through the programme – and steps taken to address the same	In 2022, we received a total of 40 queries about our cobalt supply chain ESG practices from our cobalt customers and other stakeholders, inquiring about matters such as anti-corruption, due diligence assurance, and various sustainability risks. We successfully addressed all these requests through engagement with our business partners. We can confirm from our procedures and information stated above, we do not purchase cobalt from ASMs or any cobalt associated with Annex II risks stated in the OECD Responsible Supply Chain of Minerals from Conflict-Affected and High -Risk Areas guidance. We did not identify these risks in our supply chain. Our Responsible Sourcing Policy is available in our website: www.telf.ch/sustainability This report serves as our due diligence report.

INFORMATION SECURITY **[GRI 3-3]**

Like any trading company, access to high quality information and market insight represents a key competitive advantage. Similarly, our role as a trusted intermediary between commodity producers and buyers means we are party to sensitive and/or confidential information, including information relating to supply, demand, prices, quality, and similar matters. In this context, it is essential that we not only protect our own information and data, but also that of our suppliers and customers. Any failure to do so could have material commercial, reputational and/or legal consequences.

Responsibility & confidentiality **[GRI 418-1]**

Our Corporate Disclosure and Media Policy sets out our employees' obligations with respect to the management of confidential company information (with all employees under a general duty to keep company information confidential under Swiss Law) and the circumstances under which company information can be disclosed. In addition, it defines the procedures that employees must follow when asked for information by third parties, including governmental authorities, suppliers, customers, and financial institutions, or when engaging with the media. Employee conduct with respect to confidentiality, non-disclosure and privacy is further regulated via our Code of Conduct and Employee Handbook. Amongst other things, these address:

- Appropriate use of company information
- The protection of proprietary information
- The making of public company statements (an activity restricted to defined 'authorized persons')

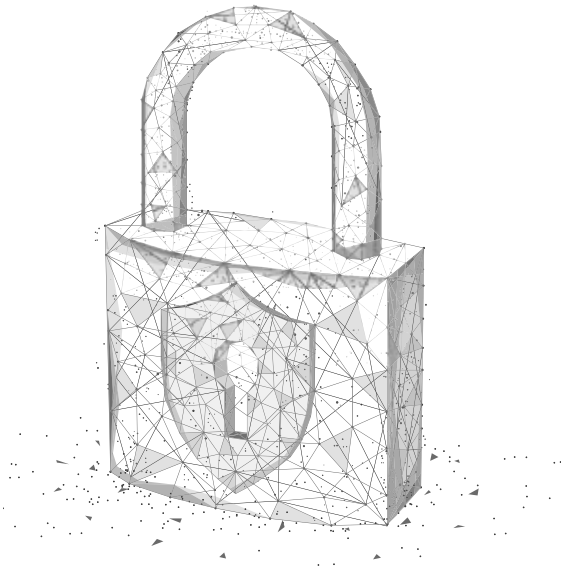
We are committed to respecting data privacy and to ensuring that personal data is processed with due care and in compliance with applicable laws.
Our IT Policy Book is designed to ensure (amongst other things) high levels of IT security and the effective management of IT-related risks. This includes:

- Data protection, including the management of risks relating to data loss, leakage, or corruption (e.g., back up practices, access controls, confidentiality levels and security testing)
- Anti-virus approach, including the protection of our IT assets from computer viruses, network worms, spyware, malware and trojan viruses
- Data encryption, including the protection of the confidentiality, authenticity and integrity of electronic information used within Telf AG
- Third-party access, including relevant contractual clauses, approval processes and external data storage
- IT disaster recovery, including disaster recovery planning and testing
- Incident management, including the process for managing unplanned interruptions to IT services

Our IT systems are audited on an annual basis by a leading external auditing firm. We did not identify any internal breaches of confidentiality, unauthorized disclosures of company information, or data losses during the reporting period. Similarly, we have not received any complaints from third parties and/or regulatory bodies relating to the same.

Tracking effectiveness **[GRI 418-1]**

Microsoft 365 Defender Attack stimulation tool is used to stimulate and track the readiness of the employees to recognize and mitigate the potential security threats. Quantitative indicators are provided by the tool to evaluate the result of simulation campaign.
A specific training session is provided during the simulation campaign by the Microsoft 365 Defender tool and our employees follow the online presentation prepared on the results of their action executed during campaign.
We did not receive any complaints from third parties and/or regulatory bodies alleging breaches of privacy and/or the misuse of personal data during the reporting period, nor have we identified any such cases.



Employee handbook

Our Employee Handbook sets out the basic principles and policies applied by the company and provides employees with information about the work environment, compensation/benefits, and relevant rights/obligations. Topics covered range from working hours through to conflicts, grievances, and complaints.