

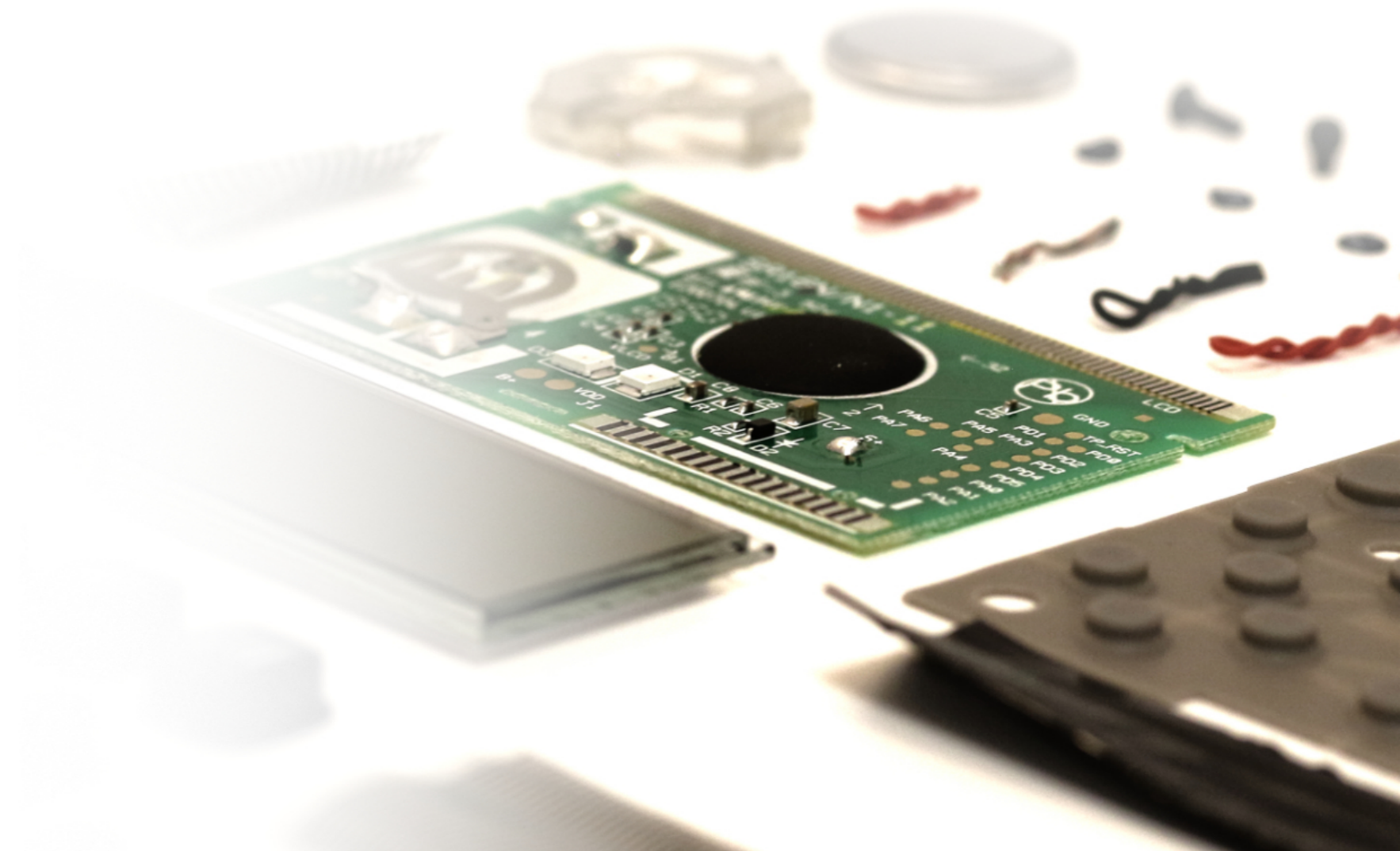


# Claigan Webinar

## EU Batteries, Russian Steel, Canadian Forced Labour

Presented by:  
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Operations Manager

March 6, 2024



# Overview - Agenda

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- About Us
- EU Batteries
  - Minerals
  - Environmental & Social Categories
  - Strategies
- Mineral Spotlights
  - Cobalt - DRC
  - Nickel - Indonesia & Philippines
  - Lithium - Xinjiang (China)
  - Graphite - China
- Russian Steel
  - Legislation & Impact
  - Strategies
- Canadian Forced Labour
  - Requirements and Deadlines
  - Strategies



# Claigan's Experience

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- Testified to US Congress when Dodd-Frank 1502 was under consultation
- Mentioned 18 times in SEC Final Rule on Conflict Minerals
- The first to identify gold refiners sourcing gold from the Covered Countries (2013 filings)
  - Full annual RCOI data for 3TG, cobalt, mica, and have expanded to EU battery in 2024
- Identified at the outset of war the impact of Russian invasion of Ukraine on mineral supply chain
- The first to identify refiners sourcing from Xinjiang (UFLPA)

# EU Battery Guidelines

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- First report due August 18, 2025
- EU expected to publish guidelines by February 18, 2025
  - Does not leave much time...
  - Best to prepare ahead of time



# Minerals

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- Cobalt
- Nickel
- Lithium
- Graphite (natural)

# Environmental Categories

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- Air (including air pollution - GHG)
- Water (pollution, usage, access)
- Soil (pollution, erosion, usage)
- Biodiversity (habitats, wildlife, flora)
- Hazardous Substances
- Noise & Vibration
- Plant Safety
- Energy Use
- Waste & Residues



## Social Risk Categories

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- Occupational Health & Safety
- Child Labour
- Forced Labour
- Discrimination
- Trade Union Freedoms
- Community Life (including Indigenous peoples)

# EU Battery Legislation

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- Regulation (EU) 2023/1542 - [Chapter 7](#)
- Closely follows OECD Due Diligence Guidance
  - Article 49 - Economic Operator's Management System (OECD Steps 1 & 2)
  - Article 50 - Risk Management Obligations (OECD Step 3)
  - Article 51 - 3rd Party Verification (OECD Step 4)
  - Article 52 - Disclosure (OECD Step 5)

# Article 49 - Economic Operator's Management System

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- Closely follows OECD Steps 1&2
  - Policy communication, internal team, etc.
- Country of Origin
  - From mineral extraction to immediate supplier
- If processors do not have 3rd party certs and source from CAHRA's
  - Additional steps required (location of mines, location of consolidation)

# EU Battery Risks - Cobalt

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- Risks
  - Child Labour
  - Community Life
  - Noise & Vibrations
  - Occupational Health & Safety
- Countries
  - DRC - 74%
  - Indonesia - 7%
  - Russia - 4%



# Spotlight: Cobalt & DRC

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- Artisanal & Small-Scale Mining
  - Child Labour
  - Programs aimed at boosting economic power of the parents
- Large Scale Mining
  - Community Displacement
  - Kolwezi (mining city in southern DRC) has faced multiple waves of forced relocation

# EU Battery Risks - Nickel

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- Risks
  - Indigenous People's Rights
  - Water Pollution
  - Community Life
  - Biodiversity
- Countries
  - Indonesia - 50%
  - Philippines - 11%
  - Russia - 6%



# Spotlight - Nickel - Indonesia & Philippines

- Human Health & Environment
  - Rio Tuba (Philippines)

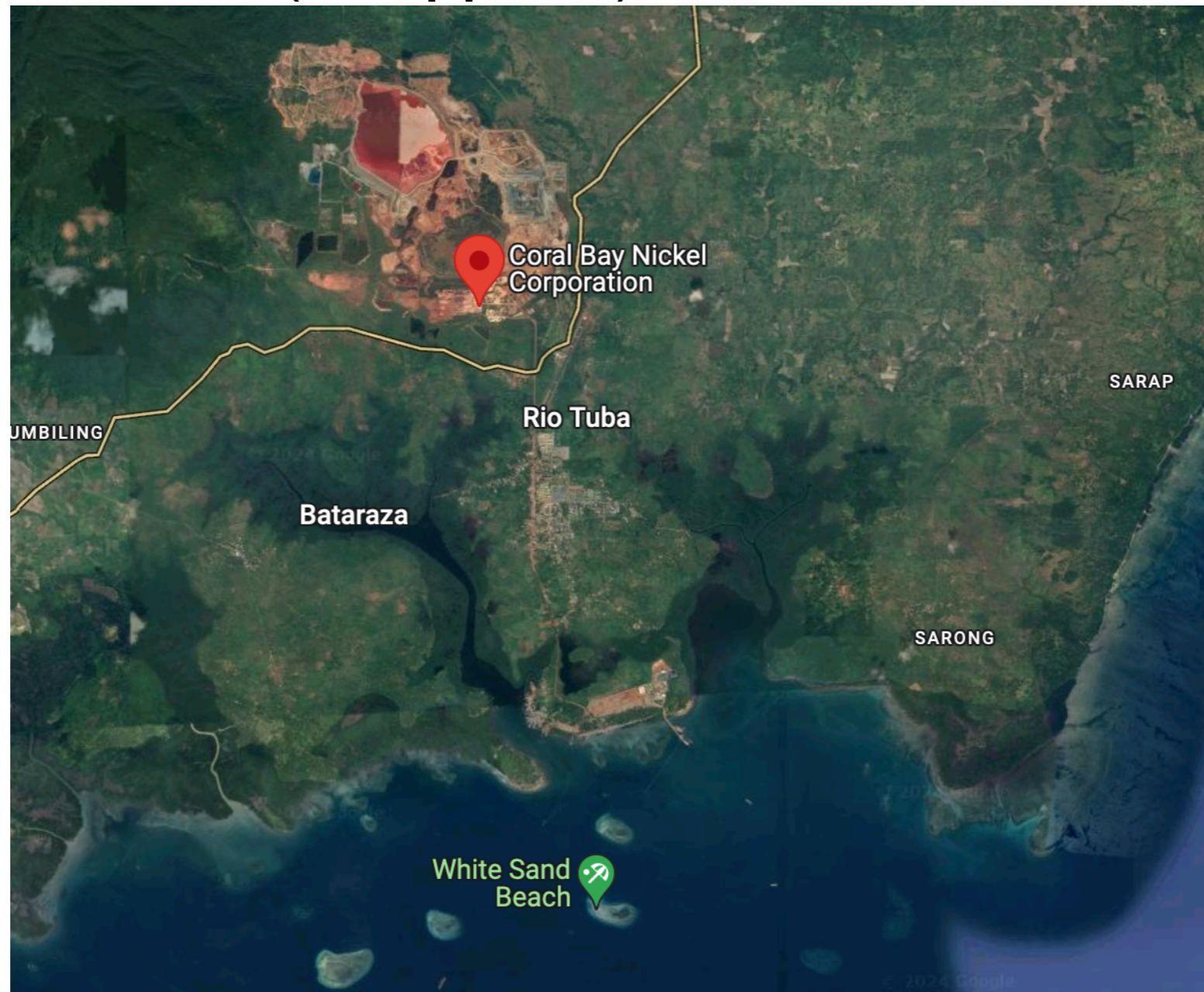


Photo taken from Google maps

# Spotlight - Nickel - Indonesia & Philippines

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- Human Health & Environment
  - Pomalaa (Indonesia)



Photo made available by Riza Salman on Mongabay

# EU Battery Risks - Lithium

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- Risks
  - Indigenous People's Rights
  - Forced Labour
  - Water (use & pollution)
- Countries
  - Australia - 48%
  - **Chile** - 24%
  - China - 18%



Photo taken by byTom Hegen

# Spotlight - Lithium & China

- **Xinjiang** Nonferrous Metals Group Lithium Mine
  - Broke ground in Luopu county Feb 2023
  - Phase 1 - 75k tons/year
  - Phase 2 - 600k tons/year



# EU Battery Risks - Graphite (Natural)

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- Risks
  - Community Life
  - Air pollution
- Countries
  - China - 77%
  - Madagascar - 6%
  - Mozambique - 6%



# Spotlight - Graphite & China

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- Pollution so prevalent, “the air sparkles”



# EU Batteries - Strategies

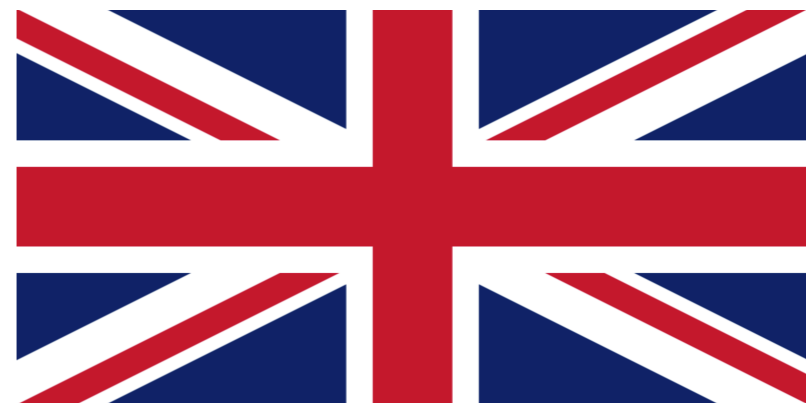
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- You need a full smelter RCOI
  - More specific than Dodd-Frank 1502
  - Country specific data, not just a matter of Covered Countries
- Build off your existing infrastructure
  - Apply knowledge gained from conflict minerals OECD
- Knowledge is power
  - You cannot begin to address risks if you don't know about them
- Unlikely you will be able to fully explore all of these issues in year 1
  - Focus where you can make the biggest impact in year 1
  - Learn from your successes and expand in following years

# Russian Steel

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- **EU & UK** prohibited importation of Russian steel
- Countries producing iron:
  - Australia - 39%
  - Brazil - 19%
  - China & India - 11% each
  - Russia - 4%



# Mill Certs

- Identification of country of manufacture and melt origin

Bill To:

**Requirements :** 3.000 X 0.065 316L SA249/A249/A269/A270 20 RA ID / 32 RA OD  
**Product type :** TP316/TP316L LASER WELDED STAINLESS STEEL TUBING  
**Heat treatment :** 1900°F (1038°C) MIN  
**Surface finish :** ID = 20 µ-In Ra MAX OD = 32 µ-In Ra MAX  
**Revision date :** ASME SA249-16a / ASTM A249-16a / ASTM A269-15a/ ASTM A270-S2-15  
**Length :** 240.00 inches / 6,096.00 mm

Customer number :

Purchase order no. :

United shop order no. :

Date certified :

Mill part no. :

Item number :

Melt practice : EAM / AOD

Country of manufacture : USA

Country of melt origin : USA

**Chemical Analysis (WT%)**

Heat #	Aluminum	Carbon	Cb or Nb	Chromium	Copper	Manganese	Molybdenum	Nitrogen	Nickel	Phosphorus	Sulfur	Silicon	Titanium
446L	0.0030	0.0179	0.0000	16.6550	0.4510	1.5760	2.0110	0.0506	10.0100	0.0360	0.0112	0.3080	0.0020

# Russian Steel - Strategies

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- Engage suppliers early
  - Easier to get information ahead of time
  - Retroactive is possible, but more difficult
- Need to track supplier responses
  - Similar to supplier RCOI for conflict minerals
  - Some suppliers may have multiple certs
- Not all certs are created equal
  - May need to educate suppliers on required elements to demonstrate compliance



# Canadian Forced Labour

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- **Bill S-211**
- Annual report due May 31 (starting this year!)
  - Report on previous financial year
- In-scope entities
  - Listed on stock exchange in Canada
  - Do business/have place of business in Canada and meet 2 of 3 conditions
    - Have \$20 million in assets
    - Have generated at least \$40 million in revenue
    - Employ an average of at least 250 employees



# Canadian Forced Labour Parallels

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- Basis of the report similar to modern slavery legislation in **UK**, **Australia**, and **California**
  - If you are already writing these types of reports, then you can adapt them to comply with Canadian law



# Child Labour

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- Labour or services provided or offered to be provided by persons under the age of 18 years and that
  - are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada
  - are provided or offered to be provided under circumstances that are mentally, physically, socially, or morally dangerous to them;
  - interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work; or
  - constitute the worst forms of child labour as defined in article 3 of the [Worst Forms of Child Labour Convention](#)

# Report Structure

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- Entities must report on:
  - Structure, activities, and supply chains
  - Policies and due diligence processes
  - Parts of business and supply chain that are at risk of forced/child labour
  - Measures taken to remediate forced/child labour
  - Measures taken to remediate loss of income to most vulnerable families impacted by elimination of forced/child labour
  - Employee training
  - Self-assessment of programs efficacy
- Report must be approved by its governing body

# Mandatory Questionnaire

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- In addition to submitting the report, entities must complete a questionnaire
  - Details must be consistent with report
  - Online portal
- Ability to walk through questions before submitting

Public Safety Canada

Canada

# Enforcement

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- A designated person may, for the purpose of verifying compliance with this Part, enter any place where they have reasonable grounds to believe there is anything to which this Part applies or any document relating to the administration of this Part.
- Powers extend to
  - Examining documents, means of communication, computers on site
  - Take photos and make reports of findings
  - Prohibit/limit access to all or part of a place
  - Remove anything for the purpose of examination
- If the place is a dwelling-house, they may enter it without the occupant's consent

# Punishment

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- Every person or entity that fails to comply... liable to a fine not more than \$250,000
- Every person or entity that knowingly makes/ provides false/misleading information...liable to a fine not more than \$250,000
- Any director, officer, or agent can separately be held liable

# Canadian Forced Labour: Strategies

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- Leverage similar programs
  - For most, it will only require minor modifications
- Companies without a mature modern slavery program will need to start ASAP
  - Seek help if starting from scratch
- Don't forget to submit!
  - May 31st is just around the corner
  - Questionnaire is mandatory component

# Any questions?

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