



# Report

Due Diligence in the Molybdenum Concentrate Supply Chain

October  
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# REPORT: DUE DILIGENCE IN THE MOLYBDENUM CONCENTRATE SUPPLY CHAIN

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This report details the policies, the management system, the methodology and the results of the Due Diligence process applied to our molybdenum concentrate supply chain over the analysis period July 2023 to June 2024.

## INTRODUCTION

Molymet was founded in Chile in 1975. It is an open joint-stock company whose main activity is the industrial and global processing of molybdenum (Mo) and rhenium (Re). Worldwide, Molymet has a 35% market share in Molybdenum processing capacity and 70% in rhenium. Our operations have a global presence, operating industrial plants in Chile, Mexico, Belgium and Germany.

At Molymet we recognize that our value chain is key to our success. We strive to be a strategic partner driving sustainability across our minerals supply chain, creating shared value with our suppliers.

To this end, we have adopted practices that ensure respect for human rights and avoid contributing to conflict, mindful of the risks associated with the extraction and marketing of minerals from conflict and high risk areas (CAHRA). We have implemented a Due Diligence Management System aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ("OECD Guidance") where we focus on the risks outlined in its Annex II.

As part of this commitment, we implemented the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc (version 3, August 2022) which covers our subsidiaries: MolymetNos and Molynor (Chile), Molymex (Mexico) and Molymet Belgium. This standard is based on the OECD Guidance and has been developed by The Copper Mark.

## I. POLICY & MANAGEMENT SYSTEM

Our [Policy: Due Diligence Management System for the Molybdenum Concentrate Supply Chain](#) was updated in 2024. It sets out guidelines for Molymet and its subsidiaries to ensure that the minerals used in our products come from responsible sources, in line with the highest standards of integrity, respect for human rights and without contributing to conflicts. This policy applies to all Molymet operations involved in the sourcing of molybdenum concentrate.

This policy is complemented by a series of additional guidelines like our [Code of Conduct](#) and our [Corporate Policy for Suppliers and Contractors](#) which reinforce our integrity and transparency across the supply chain. We also have [sustainability policies](#) which address our relationships with suppliers and contractors, stakeholders and respect for human rights.

In implementing our Corporate Molybdenum Concentrate Supply Chain Due Diligence Policy, we have established a management system based on the five steps of the OECD Guidance. This system centers on principles of continuous improvement, good faith, risk-based approach,

proportionality, accountability, participation, inclusiveness and transparency.

The mineral supply chain due diligence management system is led by the Vice President of Corporate Affairs and Sustainability who is supported by the Due Diligence Officer. The system is based on the PHVA cycle to ensure continuous improvement and specific responsibilities are assigned to the Vice Presidents of: Compliance and Risk; Commercial; People and Communication; and the Commercial Manager in charge of supplier relations. In addition, responsibilities are assigned to the Corporate Logistics Manager and at subsidiaries, Commercial Managers and General Manager / General Directors.

### **Control and Transparency**

We have a robust Internal Control System that ensures the effectiveness of the management system through specific controls and procedures for: the identification of red flags and risk assessment; for supply chain risk management; for independent third party assessment; and for reporting. In terms of the Management System and its corresponding procedures, we have indicators in place to measure and monitor performance across the processes. This is complemented by an internal audit program.

Our control and transparency system identifies suppliers in our mineral supply chain and ensures the collection and safeguarding of information necessary for due diligence. It verifies the effectiveness of internal control over materials in our possession and prevents the entry of external materials of unknown origin. The system includes avoiding cash transactions whenever possible and a grievance mechanism has been made available for use by any interested parties.

In order to ensure traceability of the origin of minerals we have the following tools in place: a KYC (Know Your Counterparty) questionnaire; direct supplier inquiries; documented research; reports from recognized third parties; complaint mechanisms; and required mineral origin traceability records.

Information gathering and analysis feeds into our continuous improvement process, ensuring that our system remains up-to-date and effective.

## **II. IDENTIFICATION AND REVISION OF RED FLAGS**

The objective of this step is to identify both actual adverse impacts and potential adverse impacts, in line with our Corporate Policy: Due Diligence Management System for the Molybdenum Concentrate Supply Chain.

Red flags indicate risks related to the origin of a mineral and its transportation through conflict or high-risk areas (CAHRAs). They may also be linked to a supplier's shareholding or other interests in companies which supply materials from or operate in a CAHRA zone. To address these risks, we have established a rigorous process for identifying red flags that includes assessing the mineral source; the transportation route; and supplier practices.

Determination of CAHRA zones is based on three fundamental criteria: armed conflict; poor governance; and human rights violations. We reference reliable international sources recommended by The Copper Mark, RMI and the OECD. These include the European Union CAHRA list, TDI CAHRA, Vision of Humanity, the Dodd-Frank Act (section 1502) and the FATF list of non-cooperative countries. We update these resources annually to ensure that CAHRA zones are properly identified and reflect current conditions.

The KYC Questionnaire is our main source of information for identifying red flags. This is sent out annually for completion by our suppliers of molybdenum concentrate. New suppliers are asked to complete the KYC questionnaire before entering into any business relationship with Molymet. The questionnaire covers international sanctions; sourcing practices; transparency control systems related to the origin and transport of minerals, due diligence; respect for human rights; and ethical behavior. Each supplier has to provide supporting evidence which is evaluated together with an internal review of publicly available documentation, where applicable.

In July 2024, we sent the questionnaire to all suppliers from whom we purchased molybdenum concentrate over the period July 2023 to June 2024. This totalled 27 suppliers. Of these, 15 responded, representing 98% of our total molybdenum concentrate purchases during that period.

Our subsidiary, Molymet Belgium is subject to The Molybdenum Mark certification. Here we obtained responses from suppliers representing 99.9% of Molymet Belgium's molybdenum concentrate purchases. In the case of our subsidiary, Molynor, also subject to certification, the suppliers who responded represent 100% of its molybdenum concentrate supply.

On completion of the assessment, we verified that none of the evaluated suppliers are on the international sanctions lists of the United Nations, the European Union or the United States. Red flags were identified in three cases and here we requested additional information from the suppliers and made inquiries into external public sources. In the first case, the red flag was linked to the origin of the mineral in a CAHRA zone. This was noted as not confirmed after verifying that the supplier is certified under The Copper Mark standard and has robust policies on sourcing, human rights and the prevention of illegal activities. In the second case, the red flag referred to "tax obligations with governments" due to a government tax dispute. After determining that the dispute was not related to risks outlined in Annex II of the OECD Guide and that the issue had already been legally resolved in favor of the supplier, this was noted as not confirmed. In the third case, the red flag was related to mineral transportation through CAHRA zones. This was noted as not confirmed after verifying that the supplier has robust policies and procedures in place to prevent money laundering and terrorist financing, as well as due diligence processes that include its transportation companies.

### III. RISK MANAGEMENT

The objective of this step is to design a strategy and implement an action plan to manage adverse impact risks – both actual and potential – which are identified during assessment of the molybdenum concentrate supply chain.

For confirmed risks related to serious human rights abuses or support to armed groups, Molymet can opt for one of the following strategies: a) Immediately terminate the business relationship when a critical adverse impact risk is identified, related to either of the above-mentioned matters. This will include indefinite termination of the contractual relationship with the supplier; or b) Suspend business activity while the risk is being mitigated in cases where a very high or critical adverse impact risk is identified.

If the confirmed risks relate to other types of risks in the OECD Guidance Annex II, a management plan is to be established in consultation with the supplier. This plan includes immediate corrective actions, defined timelines, responsible parties and performance metrics. Within a period of six months, comprehensive monitoring is carried out to verify the correct implementation of the plan. Once the effectiveness of the adopted measures has been

evaluated, a new risk assessment is carried out, taking into account the updated conditions. In conclusion, none of the suppliers evaluated presented risks of potential adverse impacts, nor were existing adverse impacts identified.

#### IV. INDEPENDENT THRID PARTY AUDIT

In November 2024, Molynor will be independently audited as part of The Molybdenum Mark assurance process. In the case of Molytmet Belgium, this will be carried out in December 2024. These audits will assess our mineral supply chain due diligence systems, ensuring their compliance with The Molybdenum Mark and the Joint Due Diligence Standard criteria for Copper, Lead, Molybdenum, Nickel and Zinc.

The scope of the independent audit program covers a comprehensive assessment of our due diligence management system and our compliance with the highest sustainability standards.

At the end of the external audit process and after receiving the corresponding report, Molytmet will share the results indicating the degree of compliance at each subsidiary. This practice is in line with our ongoing commitment to transparency and continuous improvement.

#### V. PRESENTATION OF REPORTS

As part of our commitment to transparency and continuous improvement, the results of the due diligence process are compiled and documented in our Annual Report. This report details our policies, management systems, risk assessments, corrective actions and independent audits. Interested parties can access the report on our website [www.molytmet.cl](http://www.molytmet.cl).

Additionally, a summary of our due diligence results will be incorporated into our Integrated Report, reflecting our approach to responsible governance and sustainability in the supply chain.

**Edgar Pape**  
Chief Executive Officer  
Molibdenos y Metales S.A.