

# EURASIAN RESOURCES GROUP

ERG



## Responsible Aluminium Framework

Overview of our approach

# Introduction



## ERG and aluminium assets

Eurasian Resources Group (ERG) is a leading diversified natural resources group with integrated mining, processing, energy, logistics and marketing operations.

Our Kazakhstan Aluminium Smelter JSC (KAS) is the first and only producer of high-grade primary aluminium in Kazakhstan. It ranks in the top ten of the world's 200 largest aluminium enterprises. We mine and process bauxite ore at Aluminium of Kazakhstan (AoK), that supplies alumina to KAS. Both assets, AoK and KAS, belong to ERG and are integrated into ERG-wide management practices.

We are committed to the responsible production of metals and have developed the ERG Responsible Aluminium Framework which will focus on metal production at AoK and KAS. Our goal is to ensure that our aluminium is produced responsibly and to address risks associated with the supply chain. ERG's framework aims to provide overview of the approach to our own supply chain and supporting the supply chain due diligence of our customers in their sourcing.

## Aluminium value chain

Aluminium is expected to play an important role in the global energy transition – helping reduce the weight of road vehicles and supporting wind generation, solar power and the development of lithium-ion batteries. It is also supporting urbanization and, given its recyclability, the development of a more circular economy.

There is also an increasing public awareness and consumer demand for assurances as to the provenance of resources and materials.

Potential risks in the aluminium value chain include but are not limited to potential human and labor rights abuses, and environmental damage. Additionally, aluminium production is very electricity-intensive, thus, requiring carbon footprint disclosure and reduction across the value chain.

Given this global context and the growing role of aluminium, it becomes critical for aluminium supply chain players to ensure alignment with the internationally accepted responsible sourcing requirements, including LME responsible sourcing requirements.

**As ERG, we have the full overview and control over origin of the ore in the aluminium supply chain. We do not purchase alumina from external sources, which reduces the risks to our supply chain.**

# Introduction



## Our three element approach to responsible sourcing

Our Responsible Aluminium Framework considers production, sourcing of metals and minerals and procuring goods and services. It commits to zero tolerance to human rights abuses, pursues an enhanced environment and sustainability leadership across the value chain. Three major elements of the approach are depicted on the Diagram 1 below and described throughout the document.

We establish an overarching risk management system and ensure risks of the supply chain are effectively managed in line with the defined risk appetite. We follow internationally accepted standards on business ethics, environment and health and safety in our operational assets (see page 6).

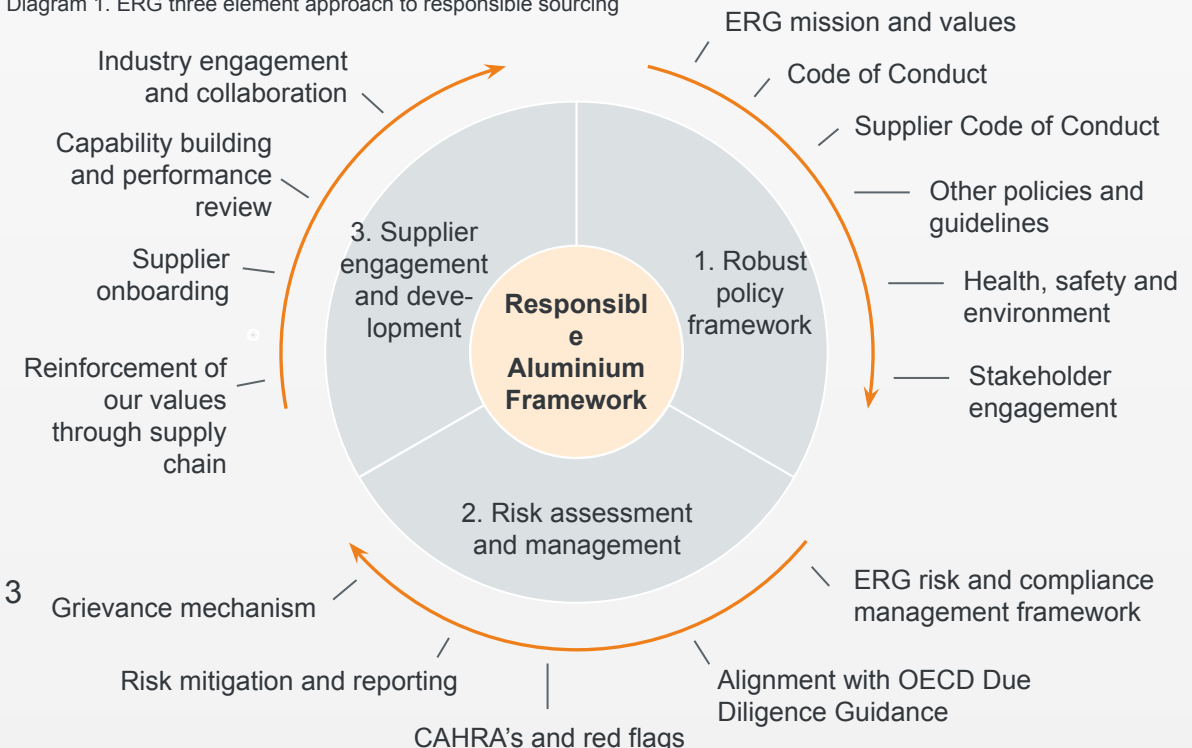
We require our suppliers to go through a stringent due diligence process prior to engagement and expect them to follow our Supplier Code of Conduct.

We work collaboratively with our suppliers, experts, industry consortia, peers and customers to enhance practices in aluminium value chain.

Our supply chain procedures are aligned with OECD Due Diligence Guidance for Responsible Sourcing from Conflict-Affected and High-Risk Areas (OECD Guidelines), as well as with LME Responsible sourcing requirements.

We will obtain third party assurance on the red flags assessment in our supply chain and commit to continual improvement as we implement and learn, starting from aluminium supply chain and then extending to other minerals.

Diagram 1. ERG three element approach to responsible sourcing





# Robust policy framework



## Our mission and values

We aspire to be a sustainable, socially responsible and efficient natural resources company.

Our mission is to be the best at what we do, and navigate global change whilst holding true to our values. We strive to responsibly unlocking the potential of the Earth and its people, ensuring the prosperity of those who rely on us.

Our values are safety, unity, efficiency, development and responsibility. Together, they reflect how we want to do business and guide us on our journey towards sustainability. We apply our values at all levels of our business – from the most senior manager to the most junior employee.

OUR VALUES	
	SAFETY
	UNITY
	EFFICIENCY
	DEVELOPMENT
	RESPONSIBILITY

## Code of Conduct

Compliance with the laws of our host countries – and the application of strong ethical standards, including those relating to human rights – underpins all that we do.

ERG has implemented a [Code of Conduct](#), which is binding on all our employees, managers and Board members. It applies a range of obligations with respect to:

- Compliance with laws, rules and regulations
- Anti-bribery and corruption
- Fair employment practices
- Health, safety and environment
- International trade, export controls and financial and political sanctions
- Human rights
- Political and non-political contributions

The Code of Conduct is supported by comprehensive policies and procedures in relation to these areas and implemented as part of our overarching Compliance management system.



# Robust policy framework



## Supplier code of conduct

In addition to our internal ERG Code of Conduct, we also expect our partners to adhere to the same standard, which are detailed in our [Supplier Code of Conduct](#).

Key requirements under the ERG Supplier Code of Conduct to our partners:

- **Health and Safety**  
Provide workers with a safe and healthy work environment consistent with the relevant ERG policies or procedures or applicable national and international standards, whichever is higher
- **Business Integrity**  
Maintain a zero-tolerance stance towards bribery and corruption
- **Labour Practices**  
Do not engage in any use of forced or compulsory labour or child labour
- **Human Rights**  
Comply with the ERG Human Rights Policy – as well as the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance on Responsible Supply Chains of Minerals and the Voluntary Principles on Security and Human Rights

- **Transparency**

Co-operate with ERG's requests for due diligence information in relation to the supply of ore and mineral product

## Other policies and guidelines

Our policy framework is based on our values, Code of conduct, and include, among others, the following documents:

- Anti-bribery and Corruption Policy
- Agents Compliance Policy
- Anti-Money Laundering Policy
- Human Rights Policy
- Competition Compliance Policy
- CSR Projects and Sponsorship Policy:
- International Economic Sanctions Compliance Policy
- Data Protection Policy

These policies and guidelines are implemented at all ERG assets with assurance oversight provided at top management level. These documents are also subject to regular review and update.



# Robust policy framework



## Health, safety and environmental stewardship

Under our 2025 Strategy we have prioritized our contribution to the well-being of communities in our regions of operation. This includes a focus on avoiding and minimizing any potential negative environmental impacts, including through the maintenance of relevant international standards.

**Environmental stewardship in Kazakhstan.** Our country-specific Environmental Strategy in Kazakhstan supports our ERG 2025 Strategy. Amongst other things, the Environment Strategy is focused on:

- **Emissions reduction**
- **Energy efficiency**
- **Water conservation**
- **Restoration of disturbed lands**
- **Waste management**
- **Biodiversity conservation**
- **Enhanced environmental monitoring**

We intend to bring our Kazakhstan operations, including AoK and KAS, closer in line with relevant EU air quality standards relating to particulate matter, going far beyond current legal requirements in Kazakhstan.

**Health and safety.** We are committed to the delivery of a safe, attractive, productive and stable working environment for all our employees and contractors. Our commitments are supported by the requirements of our Health, Safety and Environment (HSE) Policy Statement, Human Rights Policy and our Code of Conduct.

Our HSE Policy Statement commits us to:

- **Continually improving our performance**
- **Assessing and managing our risks**
- **Carrying out training, communication and reporting**
- **Implementing audit and review processes**

**International standards.** Additionally, in our Kazakhstan operations, including all aluminium assets, we apply external management system standards. All aluminium supply chain operations in Kazakhstan are ISO 45001 (Occupational health and safety management system standard) and ISO 14001 (Environmental management system standard) certified and we intend to maintain this certification.



# Robust policy framework



## Stakeholder engagement and community investments

Under ERG 2025 Strategy, we have prioritised our contribution to the socio-economic development of communities in our regions of operation.

We support our communities, including Kostanay and Pavlodar regions, where ERG aluminium assets are located, through collaborative three-year regional development programme. The programme is based on in-depth analysis of the specific development needs of each region, and identified through comprehensive large-scale social surveys held regularly.

The programme focuses on the following priorities:

- **Improving living standards** (including housing and utilities infrastructure, public transport and urban spaces)
- **Education and youth skills development**
- **Healthcare** (including the modernization of medical institutions including the modernisation and the provision of advanced training for doctors)

- **Promotion of sports and well-being** (including the development of community infrastructure and youth sports leagues)

Specific initiatives within each programme are defined in collaboration with the local communities and authorities on a regular basis.

**Community impacts.** We are also committed to minimising the negative impacts of our activities, where these cannot be avoided. We conduct comprehensive impact assessments and community consultations whenever undertaking any major developments or operational changes. In addition, and in line with our Values, we respect cultural and regional traditions in the areas of operation.

These are conducted in line with national legal requirements and relevant international standards. In addition, local communities can raise grievances through our publicly available [Hotline](#).



# Risk assessment and management



## ERG risk and compliance management framework

Risk-based management sits at the heart of ERG approach to responsible sourcing. Risk management process is integrated into our planning and decision-making in all processes, including sourcing, ensuring that all risks are properly identified, their impacts are analyzed and assessed, and proper risk management actions are implemented (see Diagram 2).

ERG risk management framework is overseen by the Board and the Executive Committee. ERG-wide risk management policy sets governing principles and corporate objectives for the risk management processes at ERG. Further application of these principles is channeled to all ERG assets, including AoK and KAS, through detailed methodologies, standards and guidelines.

Diagram 2. ERG risk management approach



<p>Risk management policy</p>	<p>Sets principles and objectives</p>
<p>Risk management manual and Capital project risk management manual</p>	<p>Sets process structure and requirements</p>
<p>Guidelines on risk management processes and business continuity plans templates</p>	<p>Provides detailed guidance on processes and methodology</p> <ul style="list-style-type: none"> <li>• Guidelines on risk identification</li> <li>• Guidelines on risk assessment</li> <li>• Guidelines on risk treatment strategies and development of risk treatment plans</li> <li>• Guidelines on control over risks</li> <li>• Guidelines on development/ update of ERG risk register</li> <li>• Guidelines on 18 months risk scenario update</li> <li>• Quantitative cost and schedule risk analysis guideline</li> <li>• Business continuity management standard</li> </ul>





# Risk assessment and management



## Alignment with OECD Due Diligence Guidance

The most recognized and acknowledged industry guidance for responsible metals supply chain due diligence is the OECD Due Diligence Guidance for Minerals from Conflict-Affected and High-Risk Areas ('OECD Guidance'). The OECD Guidance was originally conceived as a tool for businesses downstream from mining companies and recyclers to control risks in supply chains emanating from or passing through conflict-affected and high-risk areas. We have adapted it to fit our mining and processing activity in aluminium supply chain. We have embedded it into our existing risk, compliance and other management policies and systems. We conduct due diligence on all relevant risks presented by our own operations and our operating environment. We also conduct due diligence on our supplier and business partner relationships.

## CAHRA's and red flags in the supply chain

Identification and assessment of risks in the supply chain is the key element of our approach. We identify potential risks in our own operations as well as with direct suppliers.

Prior to engagement, suppliers go through attestation and counterparty due diligence (CPDD) process (see page 12). Based on this risk assessment, we decide whether to engage with supplier or not, and what risk mitigation measures to implement. The assessment is also aligned with LME Red Flag Assessment (RFA) template.

**Identification of CAHRA's.** The Risk and Compliance Management Committee ensures risk owners at the asset level are assigned. Risk owners are responsible for conducting analysis and assessment to determine Conflict-Affected and High-Risk Areas (CAHRA's) as defined under the EU Regulation 2017/821, as they relate to our supply of minerals and metals. We assess each relevant area on three criteria:

- **Conflict**
- **Good Governance**
- **Human Rights**

The assessment is conducted at least annually, and also for all new mineral and metal suppliers based on open available and reliable sources.

Based on the assessment, Risk owners selects risk response strategy and in accordance with selected strategy develop mitigation actions for all relevant risks in line with the ERG Risk Management Policy.



# Risk assessment and management



## **Additional red flags assessment.**

Red flags are behaviors that are unacceptable for us. Below is the list of red flags, presence of which will trigger additional review by compliance team and might ban supplier from working with us.

Red flags that will trigger additional review and might result in supplier being banned from working with ERG and any of its assets:

- Any form of bribery or corruption;
- Any form of forced, compulsory or child labour;
- Exposure to sanctions, money laundering or financing of terrorist activities or other financial crime;
- Unwillingness to comply with diligence requests, accept relevant contractual terms or recommended mitigation actions;
- Supplier is not willing to accept ERG Supplier Code of Conduct.

If any of the above mentioned red flags are recognized at non-mineral source suppliers, we undertake enhanced diligence, including further inquiries, interviews with management, external diligence and written warranties.

Additionally, if red flags are recognized at mineral source suppliers, the comprehensive due-diligence applying the standards and processes recommended in the OECD Due Diligence Guidance is performed.

These red flag assessments (page 9-10) are performed by all ERG assets, including AoK and KAS, prior to engagement with the supplier and are overseen by the Compliance team.

## **Red flags in the aluminium supply chain.**

At ERG, we have the full transparency and overview over the origin of alumina as procured solely from the ERG asset – AoK – having own bauxite mining and processing operations in Kazakhstan. We do not purchase alumina from external sources, which drastically reduces the risks to our supply chain.



# Risk assessment and management



## Risk mitigation and reporting

For each risks identified through our risk assessment, we develop and implement a plan to mitigate the risk. This is done for all ERG assets, including AoK and KAS.

Risk and Compliance Management Committee oversees implementation of the risk response plan, monitors and tracks performance of risk mitigation actions on all identified risks. This may be done in cooperation and/or consultation with local and central government authorities, upstream companies, international or civil society organizations and affected third-parties where the risk management plan is implemented.

In line with the fourth step of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals, we are committed to provide third party assurances for our responsible sourcing practices. For KAS we will conduct annual third party assurance of Red Flag Assessment template provided by LME. The involved third party auditor will be chosen from the list of LME approved auditors. We will also conduct a third party review of our performance towards this Framework for AoK and KAS. The reports will be available online via company website.

## Grievance mechanism

We commit to development of robust, credible and trusted mechanisms that give our stakeholders a way to raise grievances.

We offer a confidential, anonymous [Hotline](#) operated by an independent third party. It is available to our employees, business partners, or any other stakeholders and third parties, having concerns about our practices, potential breaches of the policies and procedures.

We strive to ensure that grievance mechanism is easily accessible and known to our stakeholders. The information about the hotline is available on ERG website, on corporate website, as well as communicated regularly through internal communication channels. It is promoted in our assets via posters and information flyers.

We are committed to public reporting on the grievance mechanism and inform our stakeholders in Sustainable Development Report on the number and nature of the obtained complaints and concerns.



# Supplier engagement and development



## Reinforcement of our values through supply chain

Our commitment to sustainable practices extends beyond our own activities. We also seek to promote responsible behavior amongst our business partners, including our contractors and suppliers. We set our expectations for ethical business practices, health, safety, human rights and environmental stewardship in the Supplier Code of Conduct.

We continuously communicate Supplier Code of Conduct and procurement procedures to our partners. They are available online on our website, as well as published at Kazakhstan regional procurement portal within the required attestation stage for potential suppliers.

To ensure binding nature of the Supplier Code of Conduct, adherence to it is included in the contract clauses with our suppliers.

## Supplier onboarding

Prior to onboarding, suppliers and contractors are assessed in relation to legal standing and commercial viability, and are also subject to our Counter-Party Due Diligence (CPDD) process.

Dedicated compliance managers conduct CPDD reviews, using reputable third-party information and compliance databases. These cover sanctions violations, conflicts of interest, money laundering, bribery and corruption, data leakage, the infringement of human rights and other reputational issues and negative media coverage. This allows us to assign risk ratings in each case and identify appropriate mitigation actions.

In addition, our contracts with companies providing onsite services integrate a range of 'beyond compliance' health, safety and environment (HSE) elements, ranging from company certifications through to waste removal and disposal.

Such contractors are subject to initial safety compliance assessments and are subject to defined penalties for safety violations. Those involved in higher-risk tasks are subject to supplementary contractual oversight and control measures.

Additionally, our confidential, anonymous [Hotline](#) is also available to our suppliers (see details on page 11).



# Supplier engagement and development



## Capability building for improved performance

We believe that direct engagement with our suppliers is critical for developing their practices. Thus, we organize follow-up discussions, briefings, round tables and webinars with them on processes and procedures updates, as well as on their improvement potential.

We also celebrate partners who raise the standard of business excellence and motivate others to follow them through our annual ERG Supplier Award. We recognize partners from across our entire ecosystem for their impeccable service, high quality products, reliability of supply, commitment to customers, innovative solutions and strategic approaches to partnership. In 2021 we also launch a new category for Responsible Suppliers, recognizing our suppliers' commitment to sustainability.

## Industry engagement and collaboration

We are working with a range of high-profile, international partners to ensure that assurance is carried across the whole of the value chain, in a credible and fully transparent way. By doing so, we are helping ensure that consumers can be certain of the ethical credentials of the final products.

We are committed to further promote responsible production of metals in our portfolio, actively seek opportunities to share knowledge and advocate for a stronger and more responsible metals and mining industry, as well as support efforts of our customers by participating in their due diligence programs.

**For inquiries and additional information please contact**

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