



## **INDEPENDENT REASONABLE ASSURANCE REPORT ON THE LME RED FLAG ASSESSMENT REPORT OF KAZAKHSTAN ALUMINIUM SMELTER JSC**

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### **To the Directors of Kazakhstan Aluminium Smelter JSC**

This report has been prepared in accordance with the terms of our engagement contract dated 3 July 2024 (the “Agreement”), whereby we have been engaged to perform a reasonable-assurance engagement in order to issue an independent reasonable assurance report in connection with LME Red Flag Assessment Report as of and for the year ended 31 December 2023, as enclosed in Appendix A (the ‘Subject Matter Information’).

### **The Director’s responsibility**

The Directors of Kazakhstan Aluminium Smelter JSC (the “Company”) are responsible for the preparation and presentation of the LME Red Flag Assessment Report in accordance with the criteria as set out in the London Metal Exchange (LME) Policy on Responsible Sourcing of LME-Listed Brands Revision date: February 2023 (hereafter the “Criteria”). Furthermore this responsibility includes: designing, implementing and maintaining internal control relevant to the proper preparation and presentation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

### **Auditor’s Responsibility**

Our responsibility is to express an independent opinion on the Subject Matter Information set forth in the accompanying LME Red Flag Assessment Report as of and for the year ended 31 December 2023, as enclosed in Appendix A, based on the work we have performed and the evidence we have obtained.

We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain reasonable assurance as to whether the Subject Matter Information complies, in all material respects, with the Criteria.

A reasonable assurance engagement involves performing procedures we consider necessary to obtain sufficient appropriate evidence to support the expression of an opinion in the positive form whether the Subject Matter Information is prepared in accordance with the Criteria. The procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised amongst others the following procedures:

- Assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information;



- Conducting interviews with responsible officers;
- Inspecting internal and external documentation;
- Performing an analytical review of the data and trends presented;
- Considering the disclosure and presentation of the Subject Matter Information.

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements in the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants together with the legal Belgian requirements in respect of the auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organising the audit profession and its public oversight of registered auditors.

Our firm applies International Standard on Quality Management n°1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Related Services Engagements , and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Inherent limitations**

The scope of our work is limited to assurance over the Subject Matter Information. Our assurance does not extend to the EITI Reporting at the level of Kazakhstan Aluminium Smelter JSC or Aluminium of Kazakhstan JSC referred to in the Subject Matter Information in Section 3 or to information in the respect of earlier periods or to any other information included in the Report.

### **Opinion**

In our opinion, the Subject Matter Information as of and for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the Criteria.



### **Other matter - Restriction on Use and Distribution of our Report**

The accompanying Subject Matter Information has only been prepared for the purpose of Kazakhstan Aluminium Smelter JSC demonstrating compliance with the Criteria and may not be suitable for another purpose.

Our independent assurance report is intended solely for the use of the Company to whom it is addressed, in connection with the Subject Matter Information as of and for the year ended 31 December 2023 and should not be used for any other purpose, and may not be provided to any third party without our prior written consent. We will not accept any responsibility or liability for damages to any third party to whom our report may be provided or into whose hands it may come. In this respect, we consent to our report being shown to LME, for the sole purpose of Kazakhstan Aluminium Smelter JSC demonstrating compliance with the Criteria, on the understanding that we will not accept any responsibility or liability for damages to LME or to any other third party to whom our report may be provided or into whose hands it may come.

9 August 2024, Diegem

PwC Bedrijfsrevisoren BV/PwC Reviseurs d'Entreprises SRL  
Represented by

DocuSigned by:  
  
DFC06EFBA6AF431...  
Wouter Coppens\*  
Partner

\*Acting on behalf of Wouter Coppens BV

Appendix A - LME Red Flag Assessment Report



# LME Red Flag Assessment Template

Reporting template for LME-listed Brands, version 2

Revision date: January 2023

## LME RED FLAG ASSESSMENT TEMPLATE

### Introduction

- This document constitutes the LME RFA Template (the “template”) for the purposes of the LME Policy on Responsible Sourcing of LME-Listed Brands (the “Policy”). This template and embedded workbook is only required for Brands following the Audited LME RFA Track (Track B) and the Published LME RFA Track (Track C). Capitalised terms not defined herein have the meaning ascribed to them in the Policy.
- This template is based on the “Supplement on Tin, Tantalum and Tungsten” of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition. References to “OECD Guidance” in the context of this template should be interpreted accordingly.
- The purpose of the OECD Guidance is to help companies respect human rights and avoid contributing to conflict through their sourcing decisions, including the choice of their suppliers<sup>1</sup>.
- Producers should consult the Policy for information on Reporting Periods, and submission deadlines; other contextual information may be found in the guidance notes published by the LME.
- Please submit all relevant documents in English, this includes the template, RFA workbook, and any supplemental documents the LME should consider as part of the submission.
- The RFA workbook is available here:



Microsoft Excel  
Worksheet

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<sup>1</sup> OECD Guidance, page 12



| Section 1. BRAND INFORMATION             |   |
|--|---|
| LME Brand Producer name <sup>2</sup>     | Kazakhstan Aluminium Smelter JSC  |
| LME Brand name(s) <sup>2,3</sup>         | KAS   |
| Reporting Period start date (DD/MM/YYYY) | 01-Jan-2023   |
| Reporting Period end date (DD/MM/YYYY)   | 31-Dec-2023   |
| Date of submission (DD/MM/YYYY)          | 09-Aug-2024   |
| Address of Brand producing site          | Pavlodar, Industrial zone East, building 60/2   |
| Website of Brand Producer                | <a href="https://www.erg.kz/en/enterprises/ao-kazakhstanskiy-elektroliznyy-zavod-kez">https://www.erg.kz/en/enterprises/ao-kazakhstanskiy-elektroliznyy-zavod-kez</a> |
| Name of person submitting RFA            | Andrey A. Batrachenko   |
| Job title of person submitting RFA       | General Director  |
| Phone number                             | 8 (7182) 74 33 33   |
| Email address                            | Andrey.Batrachenko@erg.kz   |

<sup>2</sup> This may be found on the list of LME Approved Brands: <https://www.lme.com/en/physical-services/brands/approved-brands>

<sup>3</sup> In the majority of cases, each Brand will require a unique RFA. However, if multiple Brands are produced by the same Producer, and the responses to the RFA questions are identical for all said Brands, one RFA may be submitted for all Brands.



## Section 2. COMPANY MANAGEMENT SYSTEMS

- a. Describe the Producer's supply chain due diligence policy. The policy should incorporate the standards against which due diligence is to be conducted, consistent with the model policy contained in Annex II of the OECD Guidance.<sup>4</sup>

Please provide a link or a copy where available.

The supply of mineral resources for the production of aluminum of the KAS brand takes place within one country - the Republic of Kazakhstan (hereinafter - RK) and only within the ERG Group, namely from Aluminum of Kazakhstan JSC (hereinafter - AK) without involving third parties.

Our supply chain procedures are aligned with OECD Guidance, as well as with the LME's Responsible sourcing requirements, and are governed by the ERG Code of Conduct, the ERG Supplier Code of Conduct, the Counterparty Due Diligence Procedure (hereinafter - CPDD Procedure) and the Procedure to Identify and Assess Conflict-Affected and High Risk Areas (hereinafter - CAHRA Procedure).

The OECD Due Diligence Guidelines have been adapted to mining and processing activities within the aluminum supply chain, as well as are embedded in existing policies and risks management systems, including compliance-risks.

ERG's internal policies and procedures cover all risk categories defined by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Annex II), namely:

- Serious abuses associated with the extraction, transport or trade of minerals;
- Direct or indirect support to non-state armed groups;
- Public or private security forces;
- Bribery and fraudulent misrepresentation of the origin of minerals;
- Money laundering;
- Payment of taxes, fees and royalties due to governments.

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<sup>4</sup> OECD Guidance, page 20



For more detailed information regarding ERG's Compliance Policies and supply chain risk management approach it is recommended to turn to the ERG Responsible Aluminum Framework, available on the ERG public websites at the following links:

<https://eurasianresources.lu/en/pages/group-compliance/compliance-policies>

[https://www.erg.kz/files/redesign/suppliers/responsible\\_aluminum\\_en.pdf](https://www.erg.kz/files/redesign/suppliers/responsible_aluminum_en.pdf)

Responsible Sourcing (eurasianresources.lu)

In 2023, ERG updated its Human Rights Policy, Anti-Money Laundering Policy and Personal Data Protection Policy. These updated policies were also adopted at KAS and AK.

One of ERG's key ethical principles is that all counterparties (third parties) in every transaction should be properly identified and assessed in order to understand and duly manage potential risks. This principle is enshrined in ERG Code of Conduct and ERG Supplier Code of Conduct (published on the website <https://www.erg.kz/en/ethical-principles>) and adopted by KAS and AK.

An integral part of the supply chain due diligence system is counterparty due diligence process (hereinafter - CPDD), which is carried out in accordance with the principles set out in the ERG Code of Conduct and the ERG Supplier Code of Conduct. For this purpose, ERG has adopted the CPDD Procedure, which is also implemented in the KAS and AK (CPDD Regulation).

CPDD Procedure includes the following elements:

- a risk-based approach to managing all counterparties that ERG interacts with, in order to further develop an efficient control system for mitigating risks as and when they are identified;
- a clear and transparent set of criteria for the definition, categorization, assessment and monitoring of counterparties;
- systems and controls designed to help combat corruption and other financial crimes, such as money laundering and terrorist financing, and human rights violations; and
- systems and controls to ensure compliance with international sanctions regimes, when interacting with third parties.



The purpose of the CPDD is to timely identify compliance risks in the interaction of the Group's entities with third parties, as part of combating corruption, fraud, money laundering, terrorist financing, violation of international economic sanctions regimes and other illegal activities in business transactions to ensure compliance with applicable law and ERG ethical business standards.

CPDD is mandatory to be carried out before making any business decisions on cooperation with a counterparty and / or accepting any obligations by ERG entities in the framework of cooperation with a counterparty (excluding supply between ERG entities). According to the rules of CPDD Procedure, intra-group transactions do not pose risks of third parties and CPDD is not conducted for such deliveries. All transaction data, including supply of mineral resources from AK, are verified and recorded by KAS in the SAP data management system.



b. Describe how this policy been communicated to suppliers, employees, and the public.<sup>5</sup>

As a global company, ERG is committed to live up to the highest standards of business integrity and professionalism. These standards are set out in the ERG Code of Conduct and embedded into everything we do. The Code of Conduct sets out our standards and policies on key legal, moral and ethical matters, including anti-corruption, respect for human rights, equality and diversity, management of conflicts of interest, protection of confidential information and personal data. The Code of Conduct is supported by appropriate policies and procedures in relation to these areas which are implemented through our risk-based Group Compliance management system. All compliance policies and procedures are implemented in KAS and AK and are obligatory for execution by all employees.

ERG requires its business partners to comply with the same principles and adopted the ERG Supplier Code of Conduct, which sets out the expectations it has of its suppliers in relation to maintaining ethical and responsible supply chains. Commitments to adhere to the highest standards of ethical business practices are also included as standard clauses in all contracts entered into with suppliers, and in the attestation procedure for potential suppliers on the Procurement Portal (<https://www.erg.kz/en/purchases>).

Both Codes (ERG Code of Conduct and ERG Supplier Code of Conduct) are available on the ERG's website for familiarization of all stakeholders.

ERG Code of Conduct (<https://eurasianresources.lu/en/pages/group-compliance/erg-code-of-conduct>)

Supplier Code of Conduct (<https://eurasianresources.lu/en/pages/group-compliance/supplier-code-of-conduct>)

<https://www.erg.kz/en/ethical-principles>

ERG ensures that its business partners, governance body members and employees have a deep understanding of the Group's ethical standards through the application of a robust Compliance Training and Awareness Programme. The key elements of this Programme include:

- Compliance communications from senior management;
- E-learning modules for employees;
- E-learning module for third parties;
- Dedicated, face-to-face compliance training for employees involved in high-risk processes;
- Other compliance communications.

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<sup>5</sup> OECD Guidance, page 17



Below please find the list of available trainings that were completed by our employees and third parties in 2023.

Employees:

- online course “ERG Code of Conduct” which focuses on ERG's values and standards of business conduct (including anti-corruption, fair employment practices, health, safety and environment, human rights, data protection, competition, etc.);
- online course “Respect for Human Rights” where studied key international human rights standards, measures the companies shall take to assess and dispose adverse impacts from their operations or supply chains, and the role of employees in human rights respect in businesses;
- online course “Personal Data Protection” where studied what data is classified as personal data, the basic principles of personal data collection, processing and protection;
- online course “Conflict of Interest” where studied a risk of conflict of interest, how it can influence business decisions, and why the proper identification and settlement of conflict of interest risks is important;
- Specialized face-to-face sessions on third party risks management;
- Series of compliance communications regarding new sanctions, ethical rules for business gifts, personal data protection, principles of speak-up culture;
- Other compliance trainings and communications.

Third Parties:

- e-learning module for third parties focused on the ERG Supplier Code of Conduct;
- face-to-face participated in session “Ethical principles of ERG. ESG transformation as a vector of sustainable procurement”.



c. Explain the management structure responsible for the Producer's due diligence, including who is directly responsible for implementing the supplychain due diligence policy.<sup>6</sup>

Risk-based management sits at the core of ERG's approach to responsible sourcing. The 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, their impact are assessed and appropriate risk management actions are taken. The ERG risk management system is overseen by the Board of Managers and the Executive Committee.

The CPDD for all ERG Kazakhstan entities, including KAS and AK, is carried out centrally by specialists of the Compliance Directorate of Eurasian Group LLC, who have the necessary knowledge and professional competencies in the field of compliance risk management and use the advanced international databases during the CPDD to search for information necessary for verification. In cases where compliance risks were identified, the relevant controls are applied according to the CPDD Procedure including refusal to enter into a contractual relationship and / or the termination of existing contracts.

The ERG Kazakhstan Compliance Directorate is organizationally subordinate to the CEO Kazakhstan Perimeter and functionally subordinate to ERG Compliance Committee.

The realization of ERG Kazakhstan Compliance Programme including key CPDD results, identified risks with appropriate mitigation actions (if any), training (including on ERG Supplier Code of Conduct) are subject to regular reporting before CEO Kazakhstan Perimeter and ERG Compliance Committee.

In 2021, ERG has also established an Environmental, Social and Governance (ESG) Committee to support the integration of sustainability practices into Group strategy and decision-making processes. In 2023, in addition ESG Committee of Kazakhstan Perimeter has been established which set Perimeter's ESG goals in accordance with Group ESG strategy, including the objective of developing a responsible supply chain that integrates ESG principles. ESG Committee of Kazakhstan Perimeter is headed by ERG Kazakhstan Perimeter CEO, the members are the heads of such functions as HR, HS&E, Legal, Compliance, Operations, Finance, Procurement and other functions.

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<sup>6</sup> OECD Guidance, page 17 and page 52



- d. Describe the system of controls and transparency over the mineral supply chain put in place by the Producer. This includes:
  - a. the type of information<sup>7</sup> the Producer collects from suppliers,
  - b. whether this information is required in commercial contracts with suppliers<sup>8</sup>
  - c. the format of the record-keeping of the Producer (such as paper-based, computerised, digital ledger technology, or part of an institutionalised mechanism)<sup>8</sup>, and
  - d. for how long this information is stored<sup>8</sup>.

The supply of mineral resources for KAS production takes place within the ERG Group from AK without the involvement of third parties.

According to the rules of CPDD Procedure, the CPDD is conducted in relation to transactions with third parties and is not conducted for intra-group deliveries.

The CPDD Procedure uses advanced international databases to search for information necessary for verification, applies a risk-based assessment approach and includes, i.e., identification of the counterparty to the ultimate beneficial owner, verification of the transaction itself, including consignors, consignees and other parties involved in the transaction in order to timely identify compliance risks in the interaction of ERG Group entities with third parties.

So, as part of the CPDD process, counterparties provide the following documents:

- documents confirming the state registration of the counterparty as a legal entity or individual entrepreneur (for individuals - documents proving the identity of the counterparty);
- documents disclosing the ownership structure of the counterparty to ultimate beneficial owners, each of which owns 10 or more percent of shares/shares in the authorized capital of the counterparty;
- documents confirming the authority of the person signing the contract on behalf of the counterparty;
- documents confirming the chain of origin of the purchased goods from the declared manufacturer to the counterparty: certificate, letter, contract, shipping documents, documents for payment for the goods, other documents confirming that the purchased goods were delivered from the manufacturer to the counterparty on legal grounds.

These documents are provided by the counterparty in electronic form (scanned version) and stored in internal depositories (Compliance System 2.2 and Omega). Storage periods are regulated by internal regulatory documents of ERG and the legislation of the RK. The documents are stored for 6 (six) years in electronic form (on the Group's servers).

The result of the CPDD is a report with the appropriate compliance conclusion about the possibility of cooperation or the need to refuse cooperation. All results of the CPDD are recorded in the internal ERG Kazakhstan CPDD system (Compliance System 2.2).

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<sup>7</sup> OECD Guidance, page 38, which refers to the information expected on page 37

<sup>8</sup> OECD Guidance, page 38



- e. Describe the data the management system has yielded this Reporting Period and how it has strengthened the company's due diligence efforts.<sup>9</sup>

The supply of raw materials for the production of KAS takes place within the ERG Group from AK, without the involvement of third parties. There is no bauxite transit, logistics is limited only to the territory of Kazakhstan.

Bauxite is supplied by direct route (railroad delivery): bauxite mining from division "Krasnooktyabrskoye" - to Pavlodar aluminum plant" (Kazakhstan, Pavlodar region, Pavlodar, industrial zone "Vostochnaya").

According to the rules of the CPDD Procedure, intra-group transactions do not bear the risks of third parties and CPDD does not take place in relation to such intra-group deliveries. All transaction data is collected and stored in the SAP data management system.

- f. Confirm that a company-level or industry-wide grievance mechanism has been established and provide evidence.<sup>10</sup>

ERG is committed to creating an speak up culture where all employees of all Group entities (including KAS and AK) are free to ask questions and report concerns or suspicions related to violations of the principles of the ERG Code of Conduct or other ERG policies and procedures, including through the ERG Hotline, without fear of reprisal. The ERG business partners also may uses ERG Hotline if they have any concerns or suspicions that an ERG employee or business partner is in breach of, or has breached, any of the provisions of ERG Code of Conduct or any applicable laws or regulations.

The ERG Hotline is a fully confidential communication channel operated by an independent operator and is available 24 hours a day, seven days a week. Contacts of the ERG Hotline are publicly available, including those published on the ERG website (<https://erg.kz/en/ethical-principles>) and ERG Procurement Portal (<https://torgi.erg.kz/home>)

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<sup>9</sup> OECD Guidance, page 52

<sup>10</sup> OECD Guidance, page 17 with details on page 40



g. Describe the Producer's method for identifying Conflict-Affected and High-Risk Areas ("CAHRA").<sup>11</sup>

In October 2021, ERG adopted the Procedure to Identify and Assess Conflict-Affected and High Risk Areas (hereinafter - CAHRA Procedure). CAHRA Procedure was also implemented at all ERG Kazakhstan entities (including KAS and AK) and updated in June 2024.

In particular, in accordance with the CAHRA Procedure (also in accordance with Paragraph 1 of Annex II of the OECD Guidance), the definition of CAHRA means conflict-affected and high-risk areas, or areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation or insurgencies, civil wars, etc. High-risk areas are often characterized as areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.

The ERG CAHRA Procedure has been developed based on OECD Guidelines requirements considering the specific risks inherent to the regions of ERG presence, including all kinds of human rights abuses and violence forms specified at OECD Guidance (Paragraph 1 of Annex II).

The ERG CPDD Procedure was updated in 2022 and included the CAHRA principles.

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<sup>11</sup> Though not directly referenced in the OECD Guidance, the LME requires this information to be disclosed as part of the transparency requirements for Track C. In line with the Policy, the LME expects that the definition of "conflict-affected and high-risk areas" will be as set out in the "Supplement on Gold" of the OECD Guidance page 66.



### Section 3. LOCATION OF MINERAL ORIGIN AND TRANSIT RED FLAG EVALUATION

Use the workbook to provide the following information:

- a. On the basis of the Producer's Company Management Systems for tracing the transit of materials from its operations and those of its suppliers, list all countries from which the minerals used for this Brand originated and transited through during the Reporting Period.
- b. Identify whether each of the countries listed in (a.) is a source for the Brand material or a country through which the material only transits.
- c. Specify the type of material being sourced or transited. This is optional to disclose and only requested to assist in answering the remaining questions.
- d. Classify each country's CAHRA status:
  - (i) A country of which no area falls into the CAHRA definition;
  - (ii) A country of which all areas fall into the CAHRA definition; or
  - (iii) A country of which some, but not all areas fall into the CAHRA definition. In this case, indicate whether the material is sourced from or transits through the CAHRA in the comment column.
- e. For each of the source countries identified, assess if the volume of mineral the Producer sourced during the Reporting Period is in keeping with the source country's known reserves and expected production levels. Provide the result of your assessment.
- f. For each of the countries identified, assess if this country known to transit materials from CAHRAs.
- g. For each of the source countries in (b.), assess the status of the supplier's Extractive Industry Transparency Initiative ("EITI") implementation following these steps<sup>12</sup>:
  - (i) State whether or not the country is an EITI-implementing country<sup>13</sup>;
  - (ii) If the supplier is located in an EITI-implementing country, identify if the supplier is in compliance with the EITI reporting requirements of that country<sup>14</sup>. Provide links to the relevant company's submission for the purpose of EITI reporting, where such a disclosure does not reveal commercially sensitive information.
  - (iii) If the country is not an EITI-implementing country, identify if the supplier takes other steps to provide transparency on payments to governments and other matters in line with the aims of EITI. Provide link(s) to disclosures where available.

<sup>12</sup> The LME believes that financial crime and corruption risk represent important concerns for industry stakeholders. Accordingly, the LME is particularly keen to ensure that the principles of the EITI, as referenced on page 52 of the OECD Guidance, are embedded into global supply chains. As such, this template references the specific wording of the OECD Guidance in respect of EITI, but further requires that Producers explain broader disclosure on a per-country basis.

<sup>13</sup> The status of country's EITI implementation can be found here: <https://eiti.org/countries>

<sup>14</sup> Producers are encouraged to contact the EITI International Secretariat [secretariat@eiti.org](mailto:secretariat@eiti.org) for support in finding and understanding supplier's reports.



## Section 4. SUPPLIER RED FLAG EVALUATION

The Producer is expected to identify all intermediaries, consolidators, or other actors upstream in their supply chain through their management system<sup>15</sup>. This includes but is not limited to: traders who provide minerals to the Producer or the Producer's suppliers; parent companies of the Producer or the Producer's suppliers; and companies that have a controlling interest in the Producer or Producer's suppliers ("Relevant Companies"). The Producer then must identify whether any of the Relevant Companies operate in or source from CAHRAs<sup>16</sup>.

If a Relevant Company operates in or sources minerals from a CAHRA, a potential OECD Red Flag is raised. Producers should verify through public sources, KYC checks, and engagement with suppliers to secure evidence (including spot checks as appropriate), that the supplier has strong company-wide due diligence management systems. If evidence is secured (and provided to the LME upon request) that minerals from a red flag location of mineral origin and transit have not entered the Brand's feedstock and the Relevant company has strong company-wide due diligence management systems, Producers may continue to use this template and follow the public disclosure requirements of the relevant Track. If no evidence is available, the supplier red flag remains and the Producer will be referred to Track A for enhanced due diligence with the support of an assurance framework<sup>17</sup>.

### Use the workbook to provide the following information:

- a. Indicate where the "Relevant Companies" have operated in or sourced minerals during the Reporting Period.
- b. Classify the locations provided in (a.) into either locations where no minerals are produced (such as headquarters, offices, or holding companies) or locations where minerals are produced.
- c. Classify each country's CAHRA status:
  - (i) A country of which no area falls into the CAHRA definition;
  - (ii) A country of which all areas fall into the CAHRA definition; or
  - (iii) A country of which some, but not all areas fall into the CAHRA definition. In this case, indicate whether the operations are located within the CAHRA in the comment column.
- d. If any CAHRAs are identified, provide confirmation that the Producer has secured evidence that the origin or transit of the material entering their feedstock was not sourced from the CAHRA that raised the OECD supplier red flag and that the Relevant Company has strong company-wide due diligence management systems.

<sup>15</sup> OECD Guidance, page 34, which refers to the information expected to be collected by Producers on page 37

<sup>16</sup> The LME is aware that the OECD Guidance goes further on this point, including countries with limited reserves or production levels and countries where minerals from CAHRAs are known to transit; however, the LME considers these points to be adequately covered in Section 3.

<sup>17</sup> The LME provides a guidance note on this topic: <https://www.lme.com/en/About/Responsibility/Responsible-sourcing#Guidance-notes-and-webinars>



**Section 5. RED FLAG ASSESSMENT**

|   |                              |  |
|---|------------------------------|--|
| a. Is there any Input Material for the LME Brand where the origin is unable to be determined?   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| b. Do any of the countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION fall into the CAHRA areas identified in 3.d?   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| c. Do any of the source countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION receive a quantity of material that is out of keeping with the source country's known reserves and expected production levels as answered in 3.e? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| d. Do any of the countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION fall into the list of countries known to transit materials from CAHRAs identified in 3.f?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| e. Do any of the countries identified in Section 4. SUPPLIER RED FLAG EVALUATION fall into the CAHRA areas identified in 4.c without confirmation provided in 4.d?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| f. Is the answer to any of Section 5.a – 5.e positive?<br><br>If yes, the LME Brand is considered to have raised an OECD Red Flag and must use Track A.   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| g. Does the Producer fail to identify the EITI status of any of the source countries identified in Section 3 LOCATION OF MINERAL ORIGIN AND TRANSIT EVALUATION in 3.g.(i)?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| h. Does the Producer fail to provide supplier's EITI disclosure information described in 3.g.(ii) for suppliers located in EITI-implementing countries?   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |



i. Does the Producer believe that the Red Flag Assessment should result in a different outcome than indicated in 5.f? If so, then a full explanation must be given.

Yes  No

Explanation:



Additional comments:

Large empty light gray rectangular area for providing additional comments.



| Question from RFA                        | Country identification   |   |   | Red Flag 1   |
|--|--|---|---|--|
|  | 3.a. On the basis of the Producer's Company Management Systems for tracing the transit of materials from its operations and those of its suppliers, list all countries from which the minerals used for this Brand originated and transited through during the Reporting Period. | 3.b. Identify whether each of the countries listed in (a.) is a source for the Brand material or a country through which the material only transits.  | 3.c. Specify the type of material being sourced or transited. This is optional to disclose and only requested to assist in answering the remaining questions. | 3.d. Classify each country's Conflict-Affected or High-Risk Area ("CAHRA") status. |
| <b>Clarification of required answers</b> | Kazakhstan - is a country of which no area falls into the CAHRA definition   | Source<br>There is no transit, logistics is limited only to the territory of Kazakhstan. In ERG, the origin of alumina is completely controlled; this raw material is purchased exclusively by AK, which controls its own bauxite mining and processing operations in Kazakhstan. Alumina is not purchased from external sources, and is mined only at ERG enterprises located in Kazakhstan. | Bauxite   | No CAHRAs  |

| Red Flag 2   | Red Flag 3   |
|--|--|
| <p><b>3.e. For each of the source countries identified, assess if the volume of mineral the Producer sourced during the Reporting Period is in keeping with the source country's known reserves and expected production levels. Provide the result of your assessment.</b></p>   | <p><b>3.f. For each of the countries identified, assess if this country known to transit materials from CAHRAs.</b></p>  |
| <p>Yes</p> <p>The source of origin of mineral resources is only the mining enterprises of AK, located on the territory of Kazakhstan, namely:</p> <p>RoK, Kostanay region, Lisakovsk city, Oktyabrsky village, st. Uralskaya 42, Branch of AK JSC bauxite mining division “Krasnooktyabrskoye”.</p> <p>Contracts:</p> <ul style="list-style-type: none"> <li>• <b>No. 187 dated 05/29/1998.</b> Bauxite mining and refractory clays from the Ayatskoye, Belinskoye and Krasnooktyabrskoye fields in the Kostanay region, RoK.</li> <li>• <b>No. 2119 dated July 26, 2006.</b> Bauxite mining at 10-17 areas of the Vostochno-Ayatskoye field in the Kostanay region, RoK</li> </ul> <p>There are no established restrictions on bauxite mining and alumina and aluminum production in Kazakhstan. The bauxite reserves in the country are confirmed at the legislative level. Any limitations for production and production capacity for entities are determined by the Work Programs for the Mining Plans.</p> <p>In more details, according to the contract conditions for subsoil use and the need for <b>Pavlodar Aluminum Factory (AK) in bauxite:</b></p> <ul style="list-style-type: none"> <li>- <b>No. 187 dated 05/29/1998.</b> Bauxite mining and refractory clays from the Ayatskoye, Belinskoye and Krasnooktyabrskoye fields in the Kostanay region. According to the Report on the geological study of the subsoil, as of 01/01/2023, the known amount of bauxite mineral around 75 346,9k tones, which <u>shall be extracted until 2042.</u></li> <li>- <b>No. 2119 dated July 26, 2006.</b> Bauxite mining at 10-17 sites of the Vostochno-Ayatskoye field in the Kostanay region. According to the Report on the geological study of the subsoil, as of 01/01/2023, the known amount of bauxite mineral around 39 347,0k tones, which shall <u>be extracted until 2031.</u></li> </ul> <p><b>Bauxite reserves</b> are confirmed by the <b>Protocols of the State Commission on Reserves of the Committee of Geology for Reserves of Ministry of Geology, Ministry of Industry and Infrastructure Development of Kazakhstan:</b></p> <ul style="list-style-type: none"> <li>- <b>No. 6741 dated 12.1972 (Ayatskoe);</b></li> <li>- <b>No. 8161 dated October 31, 1978 (East-Ayatskoye);</b></li> <li>- <b>No. 105-01-U dated 20.06.2001 (Krasnooktyabrskoe);</b></li> <li>- <b>No. 149-02-U dated 04.04.2002 (Krasnooktyabrskoe);</b></li> <li>- <b>No. 1185-12-U dated 05/08/2012 (East-Ayatskoe);</b></li> <li>- <b>No. 1555-15 dated 04/29/2015 (Belinskoe, Krasnooktyabrskoe);</b></li> <li>- <b>No. 2124-19-U-dated 28.11.2019 (Ayatskoe, Krasnooktyabrskoe).</b></li> </ul> <p>Based on the foregoing, considering the volume of mineral resources in the country and the level of AK production, we believe that alumina bauxite will be supplied within the known reserves based on the subsoil use contracts indicated above.</p> <p><a href="https://www.erg.kz/en/infographics/3">https://www.erg.kz/en/infographics/3</a></p> | <p>No</p> <p>There is no transit, logistics is limited only to the territory of Kazakhstan. In ERG, the origin of alumina is completely controlled; this raw material is purchased exclusively by AK, which controls its own bauxite mining and processing operations in Kazakhstan. Alumina is not purchased from external sources, and is mined only at ERG enterprises located in Kazakhstan.</p> |

| EITI Implementation  |   |  | Additional comments |
|--|---|--|---------------------|
| 3.g. For each of the source countries in (b.), assess the status of the supplier's Extractive Industry Transparency Initiative ("EITI") implementation following these steps                                       |   |  |                     |
| <p>For source countries only: (i) State whether or not the country is an EITI-implementing country. Please enter Yes or No for source countries and NA (Not Applicable) for transit only countries.</p> <p>Yes</p> | <p>For source countries only: (ii) If the supplier is located in an EITI-implementing country, identify if the supplier is in compliance with the EITI reporting requirements of that country. Provide links to the relevant company's submission for the purpose of EITI reporting, where such a disclosure does not reveal commercially sensitive information.</p> <p>In compliance, report here: (link)</p> <p>KAS is not a subsoil user (is not an extracting company).</p> <p>The AK, as a subsoil user, <b>regularly (annually) provides a report as part of the National Report on the implementation of the Extractive Industries Transparency Initiative (EITI) in the Republic of Kazakhstan.</b> The report form is established at the legislative level (Order of the Minister for Investment and Development of the Republic of Kazakhstan dated April 19, 2018 No. 255 On approval of the reporting form provided for by the standard of the Extractive Industries Transparency Initiative in the Republic of Kazakhstan and guidelines for filling it out). Subsoil users engaged in the exploration and (or) production of hydrocarbon and solid minerals (which is AK) submit annual reports to the competent authority no later than April 30 following the reporting year by filling out a screen form in the integrated information system "Unified State Subsoil Use Management System" Republic of Kazakhstan". These data are submitted to the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan for consolidation and further publication as part of the National Report on the implementation of the Extractive Industries Transparency Initiative in the Republic of Kazakhstan.</p> <p>Reports for 2023 from AK to the responsible state body were sent timely according to the established deadlines.</p> | <p>For source countries only: (iii) If the country is not an EITI-implementing country, identify if the supplier takes other steps to provide transparency on payments to governments and other matters in line with the aims of EITI. Provide link(s) to disclosures where available.</p> <p>NA</p> |                     |

| Question from RFA                        | 4.a. Indicate where the Relevant Companies have operated in or sourced minerals during the Reporting Period.  | 4.b. Classify the locations provided in (a.) into either locations where no minerals are produced (such as headquarters, offices, or holding companies) or locations where minerals are produced.   | 4.c. Classify each country's Conflict-Affected or High-Risk Area ("CAHRA") status.   | 4.d. If any CAHRAs are identified, provide confirmation that the Producer has secured evidence that the origin or transit of the material entering their feedstock was not sourced from the CAHRA that raised the OECD supplier red flag and that the Relevant Company has strong company-wide due diligence management systems.   |
|--|---|---|--|--|
| <b>Clarification of required answers</b> | <p>Kazakhstan</p> <p>Luxembourg</p> <p>The sole supplier of mineral raw materials is AK, which is within ERG Group.</p> <p>Ultimate Beneficial Owners:</p> <p><a href="https://eurasianresources.lu/en/pages/corporate-governance/organisational-structure">https://eurasianresources.lu/en/pages/corporate-governance/organisational-structure</a></p> | <p>"Mineral Production"</p> <p>headquarter</p> <p>ERG is a leading diversified natural resources group headquartered in Luxembourg.</p> <p>The supply of mineral resources for the production of KAS brand aluminum takes place within the ERG Group with AK, without the involvement of third parties. There is no bauxite transit, logistics is carried out only within Kazakhstan.</p> <p>Kazakhstan (RK) and Luxembourg are countries, of which no area falls into the CAHRA definition.</p> <p><a href="https://www.erg.kz/en/infographics/3">https://www.erg.kz/en/infographics/3</a></p> | <p>No CAHRAs</p> <p>No CAHRAs</p> <p>The supply of mineral resources for the production of KAS brand aluminum takes place within the ERG Group with AK, without the involvement of third parties. There is no bauxite transit, logistics is carried out only within Kazakhstan.</p> <p>Kazakhstan (RK) and Luxembourg are countries, of which no area falls into the CAHRA definition.</p> | <p>NA</p> <p>NA</p> <p>The supply of mineral resources for the production of KAS brand aluminum takes place within the ERG Group with AK, without the involvement of third parties. There is no bauxite transit, logistics is carried out only within Kazakhstan.</p> <p>Kazakhstan (RK) and Luxembourg are countries, of which no area falls into the CAHRA definition.</p> |