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UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS COVERING THE PERIOD OF AUGUST 2014 TO NOVEMBER 2015

20th May 2018

Baobab Resources Plc is pleased to confirm that Baobab Resources Plc reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption and Sustainable Development Goals (SDGs).

In this annual Communication on Progress, we update our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Baobab Resources plc is a Mozambican-focused explorer with a large landholding in the central north of the country. The company's flagship project is the Tete Steel and Vanadium Project. Baobab, a UK registered company, intends to establish an integrated mining, power generation and steel and vanadium making facility in the Tete Province of Mozambique (the 'Tete Project').

The Company has adopted the UK Corporate Governance Code. Baobab is committed to maintaining high standards of corporate governance and the Directors intend to comply with the UK Corporate Governance Code. The Board currently includes four non-executive independent Directors with relevant experience to complement the executive Directors and to provide an independent view to the Board.

For more information please visit our website

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1. HUMAN RIGHTS PRINCIPLES

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

1.1. Assessment, Policy and Goals

The Group is aiming to achieve a consistent and comprehensive approach to respecting human rights and is continuing started drafting policies and procedures to ensure that all employees are responsible and committed in contribute towards compliance with international human rights legislation/standards and manage human rights impacts effectively.

Human are defined as “*basic rights that form the foundation for freedom, justice and peace and which apply equally and universally in all countries*”. We are aware that Governments have the duty to protect the human rights of all people. As a Group, Baobab Resources has a responsibility to respect these rights. The group aims to take into account in all business the UN Framework and Guiding Principles and other internationally accepted human rights standards.

The first steps taken toward this achievement was the incorporation of all relevant principles into the aproved Environmental, Social and Health Impact Assessment, the Resettlement Action Plan that comply with the IFC Performance Standards and the Social Development Plan. Additionally, the promotion of human rights through our business has also commenced trough the implementation of two policies, namely the Code of Conduct and the Anti-discrimination Policy which forms part of our broader objective in respecting and promoting human rights consistently.

The Code of Conduct was produced in 2015 that applies to all employees and contractors in all Baobab Group companies and related entities. An Anti-discrimination policy was also drafted in 2015. The Baobab Group do not tolerate any form of discrimination or harassment. All employees and service users have the right to enjoy an environment free of discrimination and harassment. The Group as assumed among other the responsibility of:

- Do all that is reasonable to prevent discrimination from occurring at the workplace or work related environment;
- Treat all employees on their merits without regard to race, age, sex, marital status, sexual preference, disability, religion, or political conviction;
- Investigate complaints of discrimination in the workplace professionally, confidentially and in a non-judgemental manner ensuring there is no presumption of guilt;



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- Provide information and support to complaints and advise on available options;
- Implement training and raise the awareness of appropriate standards of conduct;
- Not tolerate any victimisation or reprisals for making complaints;
- Maintain confidentiality of all matters relating to a complaint.

In order to ensure that partners and suppliers adhere to the principles on Human Rights, all Contractors are requested to supply their Policies related to EHS and Social development. The company assess their policies and if there is an element that compromise the company principles, the Contractor or service provider is requested to adhere to the Group Policies.

Although Mozambique is signatory to the Charter of the United Nations and of the Constitutive Act of the African Union, as well as the International Covenant on Civil and Political Rights and the African Charter on Human and Peoples' Rights, the provisions of these instruments are not always respected. The country still have for example low sensitivity on gender issues, however, many steps and initiatives are seen to protect and empower the women. Baobab Resources will continue working to ensure that Human Rights are part of company culture by bringing to the company more legal instruments, policies and procedures to enforce the human rights principles at company level and share with all relevant stakeholders.

The Environmental, Social and Health Impact Assessment studies of the project brought many recommendations to be implemented during the life of the project. Some of them are being implemented, such as the Grievance Mechanism recommended in the Resettlement Action Plan and the Water Monitoring Plan. The company will also start the Air Quality Monitoring in 2018 to collect all baseline data, prior mining.

Training of employees is part of company principles and the company will continue assessing training needs to improve the human rights awareness. The company provided scholarship for the employees so that they can improve their skills and increase their contribution to the company.

1.2. Measurement of outcomes

The company has already created two relevant policies, namely the Code of Conduct and the Anti-Discrimination Policy that are being. The company has improved the relationship between the employees and they are always kept informed on all relevant information related to the company. The employees are also updated regularly of their duties and rights through tool box talks or workshops.

2. LABOUR PRINCIPLES

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;



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Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

2.1. Assessment, Policy and Goals

The Group recognises the rights of the workers to freedom of association and to bargain collectively. The company has an Employees Union and the representative was elected by the staff at that time and “shop stewards” duly elected by the staff. All issues are channelled to the management through the representative. The workers are given the freedom to discuss all work-related issues.

We take all necessary measures to ensure that the Group does not participate in any form of forced or bonded labour. The company established a shift working hours of 9 and 12 hours per day and make sure that the shifts are followed properly and the compensation leave time is taken by the employees. We comply with minimum age standards and no child labour is accepted at the company. Currently all employees are older than 21 years.

As stated in the Anti-Discrimination Policy, the Group treat all employees on their merits without regard to race, age, sex, marital status, sexual preference, disability, religion, or political conviction by giving right to equal opportunity and non-discriminatory treatment.

The Group is continually updating the Internal Regulation to be adhered by all employees where all employees’ rights and duties are explained. The employees have among other the right to:

- Perform tasks according to their skills and qualifications.
- Work in accordance with the employment contract and the law.
- Be treated with respect and dignity.
- To be paid on the basis of work performed.
- Be given opportunity to progress and grow professionally.
- To be granted weekly rest and annual leave.
- Work in a clean, safe working environment, etc.

Trough periodic workshops with the employees, the Group provide and discuss all relevant labour related information and issues to ensure that all employees are aware of their rights, duties and core responsibilities.

Employees are made aware of risks through safety talks, various posters eg hand washing are displayed in bathrooms to remind people of the importance of washing hands after using the toilet. PPE is provided when tasks require PPE to be used. Safe operating procedures are in use for some equipment, others will be drafted in consultation with the operators of the equipment. First Aid Training was given to all employees to ensure injuries can be given immediate attention before



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reaching the hospital. Cholera awareness posters, water sanitizer and chlorine were distributed to schools and communities within the project area. An event for World AIDS day took place again to create awareness of HIV/AIDS. This was targeted to all employees and professionals from the Health Department were invited to give a talk on HIV and AIDS. Condoms are made available in all bathrooms at the office to encourage safe sex and STD prevention. The HIV/AIDS Policy is still being drafted.

2.2. Measurement of outcomes

Appraisals are carried out once a year to evaluate key performance indicators and give an overall performance rating. Incentives are given, where possible for good performance rating scores. Training and continual developmental needs are identified in the appraisal and plans are made to incorporate the training in the following year to ensure continual development of employees.

Current policies are under review and the Group will continue identifying more policies/procedures that are relevant to the company.

3. ENVIRONMENTAL PRINCIPLES

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

3.1. Assessment, Policy and Goals

In the area of the environment, the Group support a precautionary approach to environmental issues. The company assess all environmental risks before perform any activity. If the activity is susceptible to cause impacts to the environment, mitigation measures are put in place. We have emergency procedures in place to prevent and address accidents affecting the environment and human health. The Group also take measures to reduce energy consumption and emissions of greenhouse gasses and energy consumption awareness is taking place (eg. employees are requested to switch off all electric appliances that are not in use). Currently there are few sources of greenhouse emissions related to the company activities. The Environmental, Social and Health Impact Assessment has addressed the concept of “precautionary measures” as a good alternative to avoid or reduce the environmental impacts related to project activities.



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3.2. Measurement of outcomes

The company has an Environmental, Health & Safety policy that is continually revised and communicated to all staff.

Induction documents outline environmental protection strategies and discourage the destruction of the environment in all areas of work as well the purchase of bush meat frequently sold in remote locations of work.

The group have introduced initiatives and programmes to reduce waste materials (e.g. recycling) and consumption of resources. We currently use used tyres and shredded paper to grow vegetables sustainably and organically. Waste saw dust from other companies is also used as a mulch to reduce the amount of water required for the plants and enriches soil as it decomposes over time. Compost is made from garden scrap and helps to enrich previously degraded soil. With the implementation of this project awareness & knowledge has been passed onto staff who are now using some of these sustainable techniques at their own homes and further spreading the knowledge acquired. No artificial fertilizers or insecticides were used.

The plastic bottles generated, metal waste (cans, old vehicle parts) and vehicle service waste are sent to a waste disposal company to be disposed of safely. A waste management plan was drafted and is ready for implementation. The waste separation program is going well too. This creates awareness of how much waste is generated and what kind of waste is generated not only for the awareness of the company but also for employees.

There is a standard Incident/Accident report form which is filled out by the initiator and then investigated further by the EHS department to uncover not only the direct cause of the incident but also the root cause. The findings are reported to management who then review corrective actions to be taken and action them as required. The employees are encouraged to report all incidents and near misses. The company also introduced periodic medical evaluation for the employees.

As part of environmental monitoring and protection, water and weather data are continually collected and monthly EHS reports are compiled. The Group will continue using a “precautionary approach” to guide the business.

4. ANTI-CORRUPTION PRINCIPLES

4.1. Assessment, Policy and Goals



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The Group has an Anti-Corruption and Bribery Policy that provides guidance on how to conduct all of our business in an honest and ethical manner. We are aware that all company activities that may be susceptible to cause corruption or bribery are carefully assessed according to the anti-corruption policy.

The Group will continue working to ensure that relevant workers are properly trained. All employees working on sensitive areas (those dealing with tenders, procurement, contracts, consultants, etc.) are aware of the anti-corruption procedures as the risks. On their day-to-day they have the responsibility for implementing this policy, and for monitoring its use and effectiveness. Procurement is being enforced at the companies and evaluation criteria and check list are considered before assign any contract or service to a supplier.

The Internal Regulation also states clearly that all employees must have a professional and acceptable social behaviour. Workers shall not hold any individual interest, whether direct or indirect with the companies supplying goods or services. It is expressly prohibited to benefit third parties as an exchange of favours.

4.2. Measurement of outcomes

The Group will continue working in the disclosure and implementation of the policy to all employees and stakeholders.

We actively encourage the employees to adhere to anti-corruption initiatives and denounce any signal of bribery or corruption. The Group have assigned a Senior Manager to support key sector such as Administration, Transport and Maintenance as those are the most sensitive areas.

5. END POVERTY IN ALL ITS FORMS EVERYWHERE

The Company has drafted a 5-year Social Development Plan and this was approved by the government. One of most fundamental rationale for having an SDP is that the mine, as with many other mines, will significantly affect the socio-economic conditions of the environment in which it will operate. The SDP should be seen as an action and commitment orientated roll-out programme; the contents of which should provide specific targets for the Company to be monitored for its performance by the government, the Civil Society Sector (CSS) and project funders. This SDP is a “live” document in that it will be subject to on-going revisions in the years to come. It is a working document that outlines the potential socio-economic projects that the Company will be committing itself to on an annual basis. The Company’s proposed areas of intervention can be grouped into three spheres. These are:



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- a) Economic growth;
- b) Social Upliftment and Basic Human Rights; and
- b) Food Security.

The objectives of each sphere are listed below.

Economic Growth

- To promote economic growth in the mine's Area of Influence (Aoi);
- To reduce absolute poverty (locally contextualised) through potential labour-absorbing opportunities and income transfers or enable households to become absorbed into the job market;
- To improve household financial management;
- To identify skills in the affected communities and build upon such skills;
- To create opportunities for community members to acquire the necessary skills to become employable in the mining sector;
- Assisting women and youth to enter the labour market and to obtain portable skills; and
- Local capacity building and training to create entrepreneurialship.

Social Services and Basic Human Rights

- To assist the government with integrated service delivery;
- To allow community participation by listening to the affected community members and responding to their social needs;
- To facilitate community development by strengthening the healthcare and schooling sectors in particular; and
- To empower marginalised groups, especially women, the youth and people living with disabilities with the most basic livelihood resources and services.

Food Security

- To train community members in different agricultural practices and how to add value to their produce;
- To train farmers in new techniques, especially for cultivating different crops or making their own compost, for example;
- To encourage communities to produce high protein food and cash crops that have reliable and viable markets;
- To facilitate a partnership between household farmers and school/health centres' own feeding schemes through the creation of food gardens and school agricultural training modules;
- To provide support with child malnutrition at schools and/or health centres; and



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- To facilitate learn-by-doing approaches to agriculture through agricultural training blocks with supporting farming centres.

6. END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE

The Company works in coordination with the Government and provide support to the Agriculture and Education sector. The support is in form of seeds supply and technical assistance to the farmers. New agriculture techniques to improve the production are being investigated and will be shared with the farmers. Pilot Agriculture projects involving the local community were also drafted and are waiting for funds for implementation.

The company as also drafted a Social Development Plan that will address the following areas This Social Development Plan (SDP) has been drafted in accordance with the Mozambican Regulations on Industrial Licensing (Decree No 22/2014) and the Policy and Strategy of Mineral Resources (Resolution 89/2013).

A Famine Relief Plan for the project-affected communities was drafted to agricultural practices in the project area and we believe that this will be extremely beneficial to the population and may reduce negative impacts on the environment. The Plan also aim to assist the communities on food production, using improved seeds and other technologies as irrigation and conservation agriculture. The Company will be providing seeds resistant to drought and water pumps for the second agricultural season, as well as food packages for identified vulnerable group of people.

7. ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

Apart from employment generation, the Company is providing internal scholarships to develop professionals through short- and long-term courses. In 2017-2018, the company offered full scholarships to 6 employees in Higher Education and 40 community members in a Primary School Teachers Course. In addition, the company is offering to its employees a career upskilling and professional development opportunities.