

June 26th, 2020

To Mrs Joanna Ewart-James
Executive Director,
Freedom United
By email

Dear Mrs. Ewart-James,

RE: Your Letter of June 24, 2020 – Freedom United

I appreciate you reaching out and informing us of your intended future activities and concerns raised in your letter. I wanted to respond to you by providing more information about our company and the values we bring to the development of this future project. I do believe you may be missing information on several due diligence programs and management plans we are currently implementing to ensure forced labour will never be a component of our business in Eritrea.

Danakali is a publicly listed company that places ESG at the forefront of its business model for the Colluli project in Eritrea. Our Sustainability Development Framework will shape our fertilizer business activities in Eritrea and will impact all our activities in-country. We are currently aligning our in-country business practices to the World Bank and International Finance Corporation's (IFC) Environmental and Social Performance standards as well as the Equator Principles. IFC Performance Standard 2 pertains to the protection of the fundamental rights of workers. This standard is guided by international conventions and instruments, including those of the International Labour Organization (ILO), among which the most prominent is Convention 105 on the Abolition of Forced Labour and Convention 29 on Forced Labour. We are obliged to prevent any form of forced labour use and this is further reinforced by the Eritrean Labour Proclamation No.118/2001 which makes it illegal for mining companies to use forced labour as well as our corporate governance including our human rights policy.

We have recently commissioned an independent human rights impact assessment to ensure the appropriate safeguards will be established throughout the mine site and the supply chain to ensure forced labour is strictly prohibited. We will include a rigorous screening program for all new recruits, photo ID badges, regular spot audits, and external audits to be regularly incorporated into our vetting process. Numerous confidential grievance mechanisms will be put in place including a Whistle-blower Policy to ensure all workers, nearby residents and visitors can freely bring forward issues of concern to senior management or our Audit Committee to address. A mandatory induction training program on

human rights will also be provided to our workforce. Our public security forces will be trained in the Voluntary Principles for Human Rights & Security. We will continue to build linkages with the National Confederation of Eritrean Workers and look forward to ongoing collaboration with them to further enhance worker rights in our future fertilizer business. We will encourage ongoing dialogue with our diverse stakeholder populations to enable their commentary and perspectives be incorporated into the independent human rights impact assessment and subsequent actions taken by the Company. The independent human rights impact assessment was a recommendation put forth by the UN Commission of Inquiry on Human Rights in Eritrea for all future mining projects in the country.

The Commission recommends that transnational corporations operating or planning to operate in Eritrea conduct human rights impact assessments that specifically address the possibility that Eritrean contractors will rely on conscript labour, difficulties relating to freedom of association and expression in Eritrea, and the absence of financial transparency.¹

With respect to your comment on Colluli's potential contributions to Eritrea's Sustainable Development Goals report, it must be noted that it was prepared by independent consultants that were funded by the United Nations Development Programme (UNDP). We have no direct relationship with the report's authors and we did not finance or have any influence on them. The report is an independent study, and therefore the statements within are not made or necessarily endorsed by us. Since reviewing the report however, we do have plans to align our sustainable business strategy with 13 of the 17 UN SDGs.

We will be fully transparent about how we run our ethical business in Eritrea and will actively seek out feedback both within Eritrea and the external world to ensure stakeholders have an active voice to influence our various sustainable business goals. We plan to communicate this frequently and have recently released our first annual sustainability report which you can access here: https://www.danakali.com.au/images/stories/sustainability_reports/2020/20200616_DNK_Colluli_Sustainability_Report.pdf

We strongly believe that our fertilizer business will create jobs for local people, enhance the local supply chain and play a stimulative role in bolstering high yield agricultural productivity for local farmers in the country and beyond. Our ESG efforts will showcase a company that adopts the highest international standards, has the appropriate independent checks and balances in place to ensure our

¹ https://www.ohchr.org/Documents/HRBodies/HRCouncil/CoEritrea/A_HRC_32_CRP.1_read-only.pdf

management plans are compliant, and responsibly invests in the local communities. We would hope that you will see our business holistically as a positive long-term catalyst for economic and social growth and development. We aim to be the employer of choice in the country.

We would more than welcome any ideas from you on processes and practices we could further implement beyond what was suggested by the UN Commission of Inquiry on Human Rights in Eritrea for transnational corporations. I appreciate you reaching out to Danakali to initiate dialogue with us, and I would like to schedule a telephone call at your convenience to further understand your perspective here and discuss areas of potential collaboration.

Yours sincerely,



Niels Wage
CEO
Danakali Limited