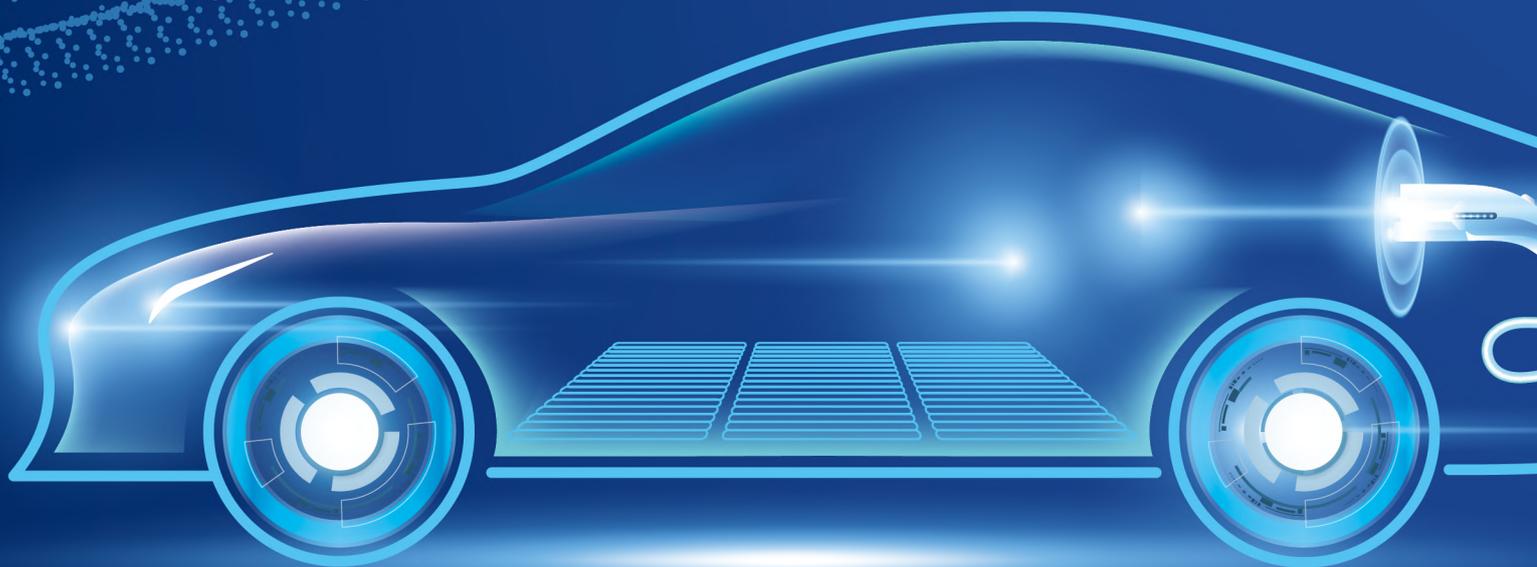


CNGR 中伟

2021

CNGR ADVANCED MATERIALS CO., LTD.
2021 ENVIRONMENTAL, SOCIAL
AND GOVERNANCE (ESG) REPORT



- 02** About this Report
- 04** Message from the Chairman
- 06** Footprint in 2021

Insights about CNGR

- 07** About us
- 08** Development history
- 09** Product and market layout
- 10** Mission, vision and values
- 11** Awards and honors
- 12** Associations joined

- 63** Independent verification statement
- 65** Appendices
- 65** Index tables
- 69** Reader feedback

Solid win-win cooperation for low-carbon development

- 22** Technology innovation
- 25** Quality assurance
- 27** Sustainable supply chain
- 30** Response to climate change
- 33** Circular economy

Sustainable development

- 13** Sustainability governance
- 14** Focuses of sustainable development
- 15** Stakeholder engagement
- 16** Analysis of material topics

Resource conservation and green operations

- 34** Environmental management system
- 36** Energy management
- 38** Water resource management
- 42** Solid waste management
- 44** Air pollutant management
- 44** Noise management

Transparent governance for steady development

- 18** Governance structure
- 19** Compliance management
- 20** Risk management
- 20** Business ethics
- 21** Information security management

Care for employee development and public welfare

- 46** Employee rights
- 47** Employment
- 48** Employee benefits and care
- 52** Employee development
- 52** Employee training
- 55** Performance evaluation and promotion
- 56** Health and safety
- 56** Management system operation
- 57** Risk identification and management
- 57** Emergency management
- 59** Training on safety
- 60** Covid-19 pandemic prevention and control
- 61** Giving back to society



About this Report

Overview

The 2021 Environmental, Social and Governance Report (hereinafter referred to as the "report" or the "ESG report") of CNGR Advanced Materials Co., Ltd. (hereinafter referred to as "CNGR", the "company" or "we") is the 4th annual non-financial report of CNGR. We have released three annual corporate social responsibility (CSR) reports from 2018 to 2020. The CSR report was renamed ESG report in 2021 to present to stakeholders our approaches and performance in sustainable environment, social and corporate governance.

Scope of reporting

Time range: from January 1, 2021 to December 31, 2021. The report also discloses a small amount of data for previous years and 2022.

Geographic scope: environmental, economic and social data disclosed in this report covers CNGR and its wholly-owned subsidiaries in China, including:

| Name | Address |
|---|---|
| CNGR Advanced Materials Co., Ltd. (including "headquarters" and "western industrial base" mentioned in this report) | Intersection of No. 2 Main Road and No. 1 Main Road, Dalong Economic Development Zone, Yuping Dong Autonomous County, Tongren, Guizhou Province |
| Hunan CNGR New Energy Technology Co., Ltd. (namely "central industrial base" in this report) | No. 1 Tanjin Road, Changxing Village, Ningxiang Economic and Technological Development Zone, Changsha, Hunan Province |

Note: Our southern industrial base (Guangxi CNGR New Energy Technology Co., Ltd.) was built in 2021. As of the end of 2021, only one workshop was put into production. Therefore, there is limited data and information about it. Its management approaches and performance will be disclosed in our future ESG reports. Our industrial bases in Kaiyang and Indonesia have not been put into production, so they are not presented in this report.

Publication cycle

CNGR's ESG report is released once a year, which is consistent with the cycle of its financial report release. The next report is expected to be published in April 2023.

Data Source

Financial data in this report comes from the 2021 Annual Audit Report of CNGR, which has been independently audited by Baker Tilly China Certified Public Accountants. Unless otherwise specified, the amounts in this report are all in Chinese yuan renminbi (CNY). Other non-financial information was provided by CNGR's functional departments. This report has been reviewed and adopted by CNGR's top management. The company's Board of Directors and directors guarantee that there are no falsifications, misleading statements or major omissions herein. CNGR is responsible for the authenticity, accuracy and completeness of contents in this report.

Basis for compilation

- The report complies with the "Core" option criteria for the Global Reporting Initiative Standards ("GRI Standards") for sustainability reporting.
- This report meets the requirements in guidelines on information disclosure, such as the *Measures on Assessing Information Disclosure by Shenzhen Stock Exchange Listed Companies (2022)*, the *Working Guidelines No. 2 of the Shenzhen Stock Exchange for Information Disclosure: Performance Forecast and Performance Briefing*, and the *Guidelines for Corporate Social Responsibility of Shenzhen Stock Exchange Listed Companies*.
- This report responds to the United Nations Sustainable Development Goals 2030 (UN SDGs 2030).
- The report is compiled with reference to the Task Force on Climate-Related Financial Disclosures (TCFD).

External Verification

This report has been verified by independent third-party Bureau Veritas Certification with reference to AA1000AS, ISAE3000 and GRI Standards. The statement of verification is attached at the end of this report.

Publication format

This report is published online in both Chinese and English. Should there is any discrepancy between the two versions, the Chinese version shall prevail. You can view or download it on our website at www.cngrgf.com.cn.

Contact information

To obtain a printed copy of the report, for comments or suggestions, please contact:

CNGR Sustainability Office

Address: Intersection of No. 2 Main Road and No. 1 Main Road, Dalong Economic Development Zone, Tongren, Guizhou Province

Tel: 0856-3238558

Email: cngrCSR@cngrgf.com.cn



Message from the Chairman



The year of 2021 witnessed the hard work of all CNGR employees and the progresses we have made. The year of 2022 has come, bringing us endless hope. Looking back, China was one of the first countries to have curbed the COVID-19 pandemic and achieved positive economic growth in the context of a global recession. CNGR is committed to becoming the world's most valuable provider of new energy materials. To this end, we exert great efforts to achieve development goals and contribute to the industry. In the meanwhile, we fulfill more social responsibilities, trying to become a better corporate citizen.

In the past year, our employees forged ahead with firm beliefs. We started the "new Long March" towards carbon neutrality through investment, consumption and export. Our southern industrial base was built and put into operation in 2021, while central and western industrial bases were expanded. This marks that the company has entered the era of "three-base production".

In the past year, we created new growths on the basis of past achievements and enhanced global capabilities in upstream and downstream industrial chain. We also signed projects in Indonesia and Finland, having accelerated coordination in global industrial chain. Besides, we exerted efforts on industrial integration and product specialization, and built an integrated and

coordinated global industry layout covering upstream resources, midstream manufacturing and downstream recycling.

In the past year, CNGR forged ahead with strong determination and increased investment in R&D. Both the number of R&D personnel and R&D expenditures doubled. Thousands of new projects were completed. Our scientific research leaders attended the congress of National Association for Science and Technology, listening to General Secretary Xi Jinping's entrustment to achieve breakthroughs in core technologies.

In the past year, the company actively undertook social responsibilities. We contributed to pandemic prevention and control, poverty alleviation, charity and public welfare, and raised the importance of social welfare undertakings.

As the Chinese nation makes great strides, CNGR is also marching ahead with full vitality. In the face of changes unseen in a century, we shoulder heavy responsibilities during the "14th Five-Year Plan" period. I call for all employees to maintain confidence and resilience to deal with risks and challenges. Let's implement new development concepts, make progress while maintaining stability, strive for innovation, devote ourselves to the development of new energy, and create a better life for mankind. In 2022, let's join hands to fight for our dreams.

Chairman of CNGR Advanced Materials Co., Ltd.
Deng Weiming

Footprint in 2021

Overview of CNCR's ESG performance in 2021



Total operating income/million CNY

20,072.49

an increase of **169.81%** over 2020



Total profits/million CNY

1,067.76

an increase of **124.50%** over 2020



Total assets/million CNY

28,199.76

an increase of **185.88%** over 2020



R&D Investment/million CNY

769.20

an increase of **184.77%** over 2020



Cumulative number of patent applications in China

236



Cumulative number of patents granted in China

122



Customer satisfaction/points

91.3



Greenhouse gas emission intensity /tCO₂e/ton products

3.50



Number of major environmental pollution incidents

0



Proportion of female employees

27.9%



Employee satisfaction

87.2%



Number of work-related deaths

0



Number of employees with suspected or confirmed occupational disease

0

Insights about CNCR

About us

Established in September 2014, CNCR (300919.SZ) is a subsidiary and listed entity of Hunan CNCR Holding Group Co., Ltd. It is a professional comprehensive service provider of new energy materials for lithium batteries, a strategic emerging industry. The company has been recognized as "National Enterprise Technology Center" and "National High-tech Enterprise". It enjoys such titles of demonstration projects as "National Intelligent Manufacturing" and "National Green Factory". We maintain strategic cooperation with dozens of famous enterprises globally. Our core products, including high voltage cobaltic oxide, high-nickel NCM (Nickel Cobalt Manganese hydroxides) and NCA (Nickel Cobalt Aluminum hydroxides), are supplied to the world's top 500 enterprises located in China, Europe, America, Japan and Korea. They are widely used in 3C digital products, transportation and energy storage. For two consecutive years in 2020 and 2021, our shipments and exports of

precursors and cobaltic oxide ranked first in the world. The company is dedicated to R&D of new energy materials and constantly increases R&D investments. We focus on innovations in full range of high-nickel low-cobalt precursors, high voltage cobaltic oxide, comprehensive recycling, raw material smelting and manufacturing equipment. Meanwhile, we develop ferrophosphorus, manganese and sodium materials. We provide diverse customized, rapid technical services, mass production services and industrialized application services, leading the industry in technological innovation. In the future, CNCR will bend efforts to develop new energy. We will make technological innovations, optimize product quality, deliver green energy to society, and shoulder the social responsibility of energy recycling. We strive to become the world's most valuable provider of new energy materials.



Development history

- **1992**
In 1992, chairman Deng Weiming started his business.
- **2013**
In 2013, the company officially engaged in advanced materials by investing in Hunan Haina Advanced Materials Co., Ltd., which has independent key technologies for cobaltic oxide and precursors.
- **2014**
In 2014, CNGR Advanced Materials Co., Ltd. was established.
- **2015**
In 2015, our western industrial base was put into operation.
- **2016**
In 2016, Guizhou CNGR Resource Recycling Industry Development Co., Ltd. was set up.
- **2017**
In 2017, the company continued to develop new energy and expanded recycling. The construction of Circular Science and Technology Park of CNGR Advanced Materials Western Industrial Base was started.
- **2018**
In 2018, our central industrial base was officially put into operation.
- **2019**
In 2019, the company officially changed its name to CNGR Advanced Materials Co., Ltd., The Circular Science and Technology Park went into operation.
- **2020**
In 2020, CNGR Advanced Materials Co., Ltd. was listed on the Growth Enterprise Market of the Shenzhen Stock Exchange (Ticker symbol: 300919).
- **2021**
In April 2021, our industrial base in Indonesia was launched, which was a key move to promote internationalization and improve resource guarantee.
- **2021**
In December 2021, our southern industrial base was completed and commissioned, which showed the CNGR speed of "starting construction and putting into production in the same year".

Products and market layout

Our main products

| Product | Features | Applications |
|----------------------------------|---|--|
| Full range of ternary precursors | Core materials for positive electrodes in ternary lithium batteries with high safety, high energy density and long life | Transportation, energy storage |
| High voltage cobaltic oxide | Core material for cathodes in lithium cobalt oxide batteries with high voltage and high power | 3C digital products, smart electronics |
| Binary and multiple precursors | Precursors for new cathodes in high-nickel cobalt-free batteries with high energy density and high safety | Transportation, high power products |

Industry and market layout

Since its listing, the development of the company has been driven by CNGR and its Circular Science and Technology Park. We emphasize precursor material manufacturing and resource development, and actively respond to China's dual-cycle development pattern and the "Belt and Road" initiative. We have four industrial bases in China, western industrial base (Tongren, Guizhou), central industrial base (Changsha, Hunan), southern industrial base (Qinzhou, Guangxi) and Kaiyang industrial base (Guizhou, Guiyang), whose services cover the whole country. Overseas, we have built a raw material base in Indonesia and is planning an international industrial base. The latter will offer services for clients in Japan, South Korea, countries and regions in Southeast Asia, Europe and North America.

In 2020 and 2021, our shipments and exports of precursors and cobaltic oxide ranked first worldwide. In 2021, the global market shares of our precursors and

cobaltic oxide products were 26% and 24%. They are widely used in new energy vehicles, consumer electronics and energy storage. We maintained stable cooperative relations with domestic and foreign customers including LG Chem, Xiamen Tungsten, Easpring Material Technology, Betray, L&F, Zhenhua E-chem and Samsung SDI.

The next three years will be a critical period for CNGR's rapid high-quality development. We will accelerate the internationalization process, advance the construction of the industrial base in Indonesia, and strengthen our overseas industry layout. We will also optimize client structure and product structure, enhance our comprehensive competitive advantages, and conform to the low-carbon trend of the new energy industry to meet the needs of global clients. CNGR will strive to be a top global leader in operation, R&D, quality, manufacturing and comprehensive ability, a benchmark listed company practising sustainable development.

Mission, vision and values

Mission

Devote to the development of new energy, build a better life for human beings.

Vision

Determined to become the world's most valuable provider of new energy materials.

Core values

Practical-minded, self-disciplined, innovative, enterprising, open, excellence, win-win cooperation.

Awards and honors

Green Manufacturing System Integration Project

Awarded in: 2016.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Ministry of Industry and Information Technology of China

"Made in China 2025" New Model of Intelligent Manufacturing

Awarded in: 2016.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Ministry of Industry and Information Technology of China

First Prize of China Nonferrous Metals Industry Science and Technology Award

Awarded in: 2018.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): China Nonferrous Metals Industry Association, Nonferrous Metals Society of China

Guizhou Leading Innovative Enterprise

Awarded in: 2017.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Office of Guizhou Provincial Science and Technology Innovation Leading Group

Guizhou Industry-University-Research Demonstration Base

Awarded in: 2017.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Guizhou Provincial Commission of Economy and Information Technology, Department of Science and Technology of Guizhou Province, Department of Education of Guizhou Province

Guizhou Enterprise Technology Center

Awarded in: 2017.07
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Guizhou Provincial Commission of Economy and Information Technology, Department of Science and Technology of Guizhou Province, Department of Finance of Guizhou Province, Guizhou Provincial Tax Service, Guiyang Customs

High-tech enterprise

Awarded in: 2019.09
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Department of Science and Technology of Guizhou Province, Department of Finance of Guizhou Province, Guizhou Provincial Tax Service

National Green Factory

Awarded in: 2019.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): Ministry of Industry and Information Technology of China

National Enterprise Technology Center

Awarded in: 2020.12
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): National Development and Reform Commission, Ministry of Science and Technology of China, Ministry of Finance of China, General Administration of Customs of China, State Taxation Administration of China

Hunan 2020 Annual Industrial Project with Excellent Comprehensive Performance

Awarded in: 2021.03
Award winner: Hunan CNCR New Energy Technology Co., Ltd.
Awarding body (bodies): Development and Reform Commission of Hunan Province, Department of Industry and Information Technology of Hunan Province

National Green Plant & National Green Design Product

Awarded in: 2021.12
Award winner: Hunan CNCR New Energy Technology Co., Ltd.
Awarding body (bodies): Ministry of Industry and Information Technology of China

138th in Global Top 500 New Energy Enterprises in 2021

Awarded in: 2021.09
Award winner: CNCR Advanced Materials Co., Ltd.
Awarding body (bodies): China Energy News, China Institute of Energy Economics

50th in Top 100 Hunan Manufacturing Enterprises in 2021

Awarded in: 2021.09
Award winner: Hunan CNCR New Energy Technology Co., Ltd.
Awarding body (bodies): Department of Industry and Information Technology of Hunan Province, Hunan Federation of Enterprises and Industrial Economy

Included in "2021 List of Pilot Demonstration Projects for Integrated Development of New Generation Information Technology and Manufacturing Industry"

Awarded in: 2021.09
Award winner: Hunan CNCR New Energy Technology Co., Ltd.
Awarding body (bodies): Ministry of Industry and Information Technology of China

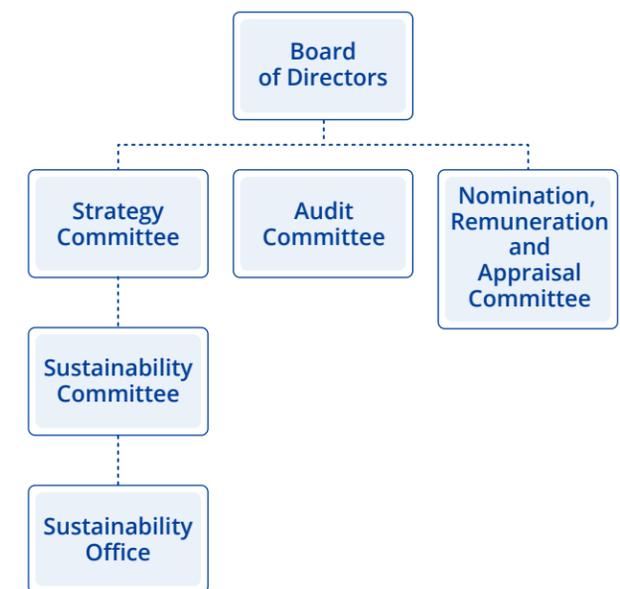
Associations joined

| Entity | Valid period | Association/external initiative joined | Role in the association |
|--|--------------|---|---------------------------|
| CNGR Advanced Materials Co., Ltd. | 2017-present | National Nonferrous Metals Standardization Technical Committee | Member |
| CNGR Advanced Materials Co., Ltd. | 2017-present | China Nonferrous Metals Industry Association | Member |
| Guizhou CNGR Resource Recycling Industry Development Co., Ltd. | 2017-present | Alliance of Technological Innovation in Compulsory Resources Recycling Industry | Primary standards drafter |
| CNGR Advanced Materials Co., Ltd. | 2019-present | Green Manufacturing Association of China | Member |
| CNGR Advanced Materials Co., Ltd. | 2019-present | China Power Battery Recycling and Echelon Utilization Union | Member |
| CNGR Advanced Materials Co., Ltd. | 2020-present | National Standardization Technical Committee of Chemical | Primary standards drafter |
| CNGR Advanced Materials Co., Ltd. | 2020-present | Enterprise Anti-fraud Coalition | Member |
| CNGR Advanced Materials Co., Ltd. | 2020-present | Responsible Cobalt Initiative (RCI) | Member |
| CNGR Advanced Materials Co., Ltd. | 2021-present | National Technical Committee of Auto Standardization | Member |
| CNGR Advanced Materials Co., Ltd. | 2021-present | Carbon Neutrality Committee of China Energy Conservation Association | Member |

Sustainable development

Sustainability governance

As a leading enterprise in new energy materials, CNGR actively responds to the global trend of carbon neutrality. We promote the construction of a sustainable development system and a low-carbon industrial chain. To better implement sustainable development, we began to integrate it into our business operations in 2021. In early 2022, Sustainability Committee and Sustainability Office were established under the Strategy Committee of the Board of Directors. This marks that CNGR has formed a sustainability governance structure led by the Board of Directors, executed by Sustainability Office, and closely coordinated by various departments.



CNGR's sustainability governance structure

Main responsibilities of Sustainability Office

- Implement the ESG strategies formulated by the Board of Directors, publicize the company's sustainable development values, and organize sustainability training
- Establish and improve the company's supply chain due diligence management, including mineral supply chain and social responsibility due diligence
- Advance the reduction of carbon emissions within the company
- Research on sustainability topics
- Manage the company's ESG image

Sustainability Office tracks and evaluates the company's completion of sustainable development goals, and regularly reports the evaluation result to the top management. In the meanwhile, we actively cooperate with partners to help suppliers build sustainable development capacities for a sustainable low-carbon industrial chain.

Focuses of sustainable development

Based on CNGR's operating conditions, industrial layout, market situation and industry trends at home and abroad, we have determined to focus on five areas for sustainable development: climate change, circular economy, responsible supply chain, compliance and integrity, and people-oriented development, and actively respond to the UN SDGs 2030.



As of the end of the reporting period, the company has passed IATF16949, ISO9001, ISO14001, ISO45001, ISO22301, SA8000 and ISO17025 certifications. Focusing on the above five areas, we will gradually build sustainable development strategies, goals and approaches, comprehensively improve sustainable development management, and promote the publicity of sustainable development among employees.

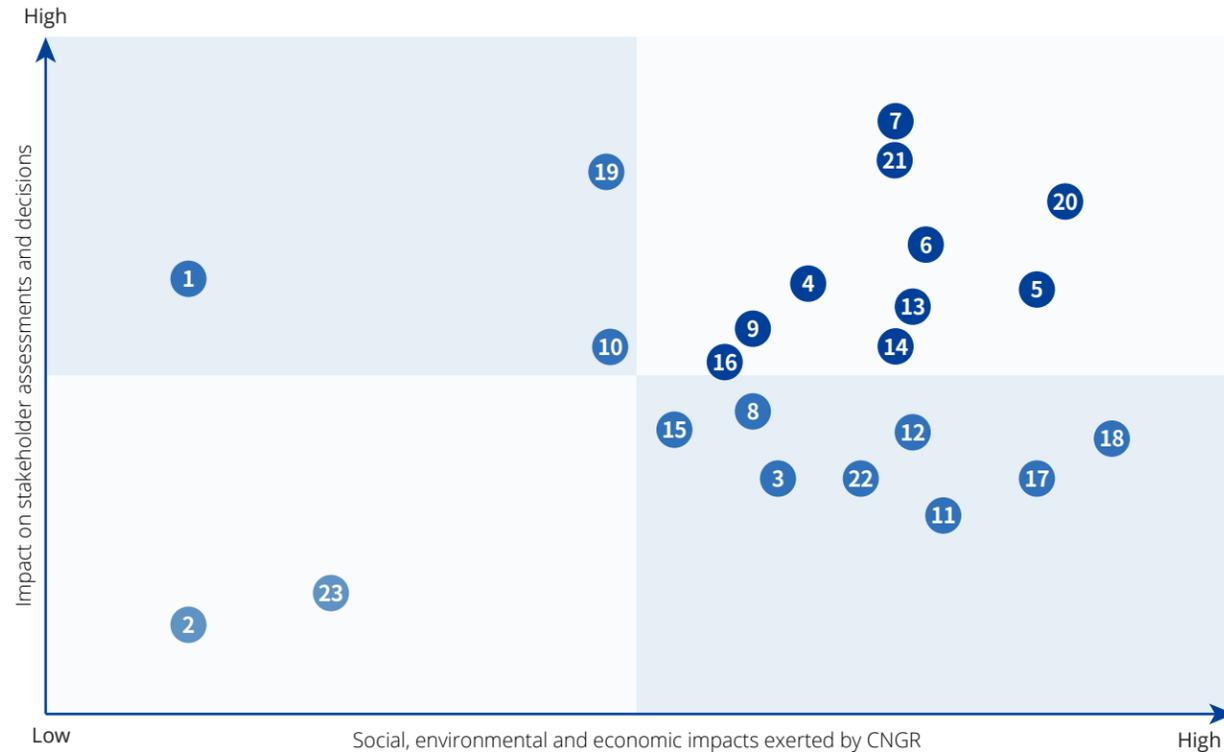
Stakeholder engagement

CNGR highly values communication with stakeholders. It enhances communication and exchanges with them and carefully listens to their feedback via transparent and efficient channels. We respond to their demands and expectations in a timely and effective manner, and update the company's sustainable development plans and practices based on their feedback.

| Stakeholders | Topics of concern | Main communication channels |
|---|---|--|
| Employees | Legal employment Employee rights protection Training and development Occupational health and safety | Training Performance appraisal Complaints and feedback Labor union Employee satisfaction surveys |
| Shareholders and investors | Economic performance Risk management Compliance operations Structure of the management | General meetings of shareholders Information disclosure (annual report, ESG report, etc.) |
| Customers | Product quality and safety Client services | Satisfaction survey Daily communication (phone calls, emails and meetings) |
| Suppliers, contractors and other partners | Responsible procurement Supplier management Anti-corruption | Supplier assessment Supplier capacity building Daily communication (phone calls, emails and meetings) |
| Governments, regulators, exchanges or rating agencies | Economic performance Compliance operations | Phone calls On-site inspections |
| NGOs | Energy management Water resource management Response to climate change Pollution discharge and waste disposal Chemical management | Environmental impact assessment Regular monitoring Compliance disposal |
| Industry associations and companies in the same industry | Economic performance Intellectual property protection and technological innovation | Exhibitions Industry conferences, seminars |
| Surrounding communities, the public and media | Community relations Pollution control Charity and public welfare | Complaints and feedback Daily communication (phone calls) |

Analysis of material topics

To understand the core expectations and needs of stakeholders and improve the pertinence and materiality of this report, we built a database of material topics for this ESG report based on relevant international standards, guidelines and initiatives, stakeholder demands, relevant policies, industry development trends, the company's strategies and suggestions from experts.



Matrix of material topic analysis in this ESG Report

To determine the importance of each topic, we conducted a survey of stakeholders and collected 581 valid questionnaires. According to the result of the survey, we conducted a cross-analysis from two perspectives, the degree of impact on stakeholder assessments and decisions, the degree of social, environmental and economic impacts exerted by CNGR. We then used that analysis to form the matrix of material topics for this report. The matrix divides the materiality of the topics into three levels: high, medium and low. The report responds to all of the topics, with emphasis on those of high materiality.

| Topics of high materiality | | |
|-------------------------------|--------------------------------|---------------------------------------|
| 4. Risk management | 9. Technology innovation | 20. Employee training and development |
| 5. Business ethics | 13. Water resource management | 21. Occupational health and safety |
| 6. Sustainable supply chains | 14. Waste management | |
| 7. Product quality and safety | 16. Response to climate change | |

| Topics of medium materiality | | |
|-------------------------------------|--|--------------------------|
| 1. Economic performance | 11. Environmental management system and compliance | 17. Chemicals management |
| 3. Compliance management | 12. Energy management | 18. Legal employment |
| 8. Intellectual property protection | 15. Product life cycle management | 19. Employee rights |
| 10. Customer management | | 22. Community relations |

| Topics of low materiality | |
|--------------------------------|--------------------------------|
| 2. Structure of the management | 23. Charity and public welfare |

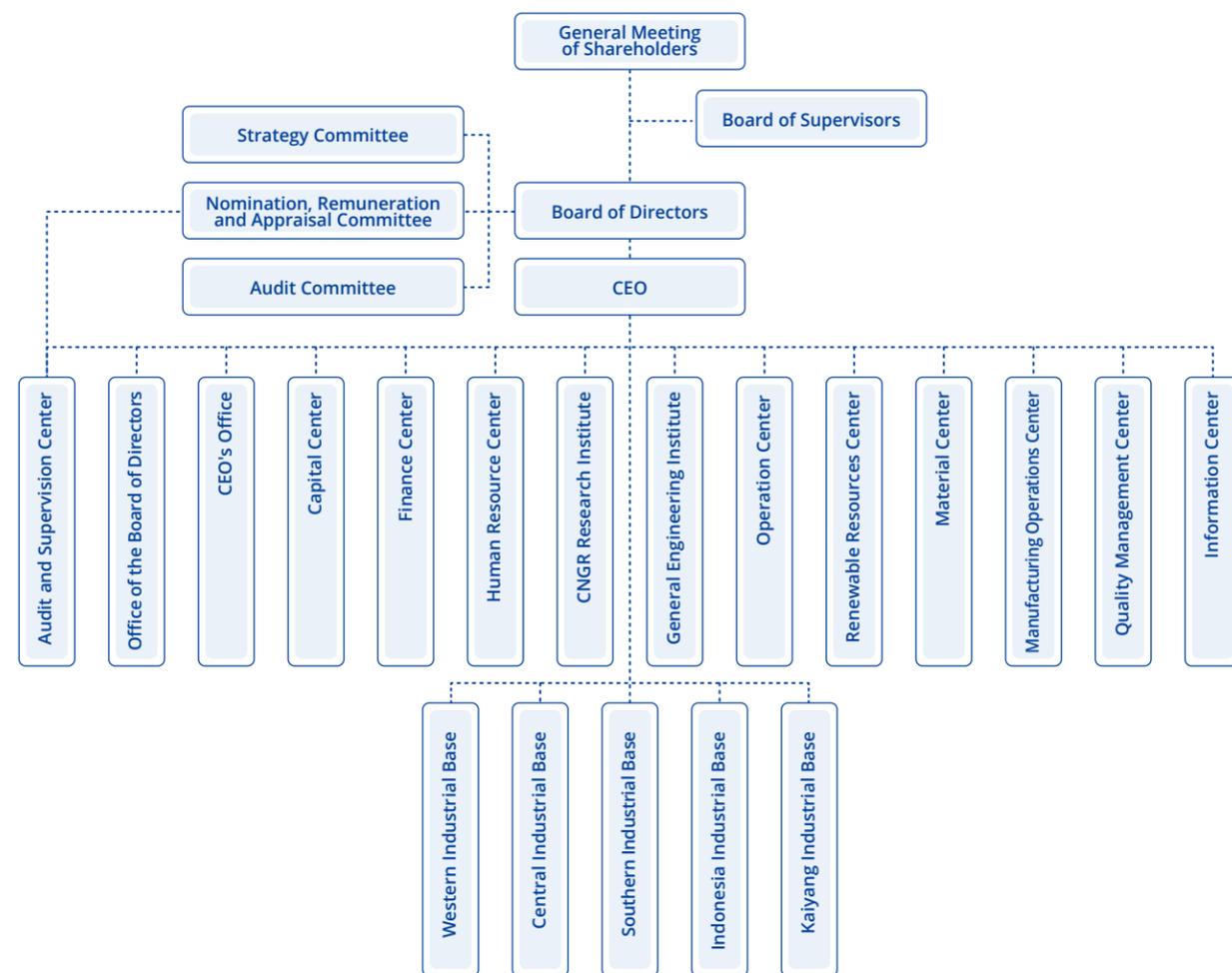


Transparent governance for steady development



Governance structure

We abide by laws, regulations, guidelines, normative documents and the requirements of regulatory authorities, including the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*. On this basis, we regulate our governance structure, improve internal systems, and promote standardized management. This lays a solid foundation for the company's sustainable development.



Organizational structure of the company

[Board of Directors]

The Board of Directors is accountable to the General Meeting of Shareholders. It convenes board meetings in strict accordance with relevant regulations. There are three special committees under it, namely the Strategy Committee, the Audit Committee, and the Nomination, Remuneration and Appraisal Committee. They express independent opinions on matters concerned and safeguard the rights and interests of the company and all shareholders.

During the reporting period, there are 7 board members (including 3 independent directors), with 1 female member and 6 male members. A total of 14 board meetings and 19 special committee meetings were held. Board members' attendance of board meetings was 100%.

[Board of Supervisors]

The Board of Supervisors consists of 7 supervisors, including 3 shareholder representatives and 4 employee representatives. The number and composition of supervisors meet legal and regulatory requirements. Following laws, regulations and the Rules of Procedure for the Board of Supervisors, the Board of Supervisors convenes meetings, exercises supervisory powers, and promotes compliance operations with a responsible attitude to the company and all shareholders.

The board promotes auditing and supervision on all

aspects of corporate operations, and strengthens economic responsibility audits. It issues early warnings of potential risks, takes effective measures to prevent risks in investment, operation, finance, law, etc., and improves the efficiency of capital use. The purpose is to safeguard the legitimate rights and interests of the company and shareholders.

During the reporting period, the Board of Directors, Board of Supervisors and special committees functioned well.

Compliance management

Compliance management is the cornerstone of a company's sustainable development. We follow the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* as well as other laws, regulations and guidelines to comprehensively optimize systems and processes, with a view to improve compliance management and internal controls. Our Audit and Supervision Center establishes and improves internal control systems, promotes their effective implementation with constant inspections and supervisions. It evaluates the authenticity and integrity of the company's financial information and the result of business activities. It also urges departments concerned to timely improve internal controls against identified risks, so as to prevent the occurrence of risk events.

The Legal Department manages operational compliance through prior controls, process controls and error corrections. It conducts monthly compliance inspections and issues compliance reports. It also reviews contracts and inspects contract performance and management on a quarterly basis to prevent compliance risks. The company continuously

strengthens the rule of law. The Legal Department offers legal education to all employees to improve their legal awareness. In 2021, it joined hands with the Human Resources Center, the EHS Department and other departments to publicize laws and regulations on safe production, pollution discharge, management of solid waste pollution, and prevention of labor and employment risks. This ensures employees know the laws and regulations and abide by them.

As of the end of the reporting period, the company has not been subject to major sanctions or high fines for violating laws and regulations in social, environmental and economic aspects.



Training on safety and environmental protection laws in 2021



Training on the newly revised Law of the People's Republic of China on Safe Production in 2021

Risk management

CNGR attaches great importance to risk management. It fully embeds related requirements into operational management to improve comprehensive compliance and risk control. For this purpose, the company has formulated the Risk Management System. It covers corporate governance, processes for system upgrades, organizational guarantees, legal awareness promotion and construction of multiple defensive lines. Multiple measures are taken to build an all-round risk prevention and control system.

In 2021, our central industrial base passed business continuity management (BCM) system certification. This helps guarantee business continuity, improve risk prevention and control, and promote proactive investigation and prevention of business risks and hidden dangers. The company plans to obtain the certification in all of its entities in the future. The BCM system covers the entire process of product delivery. Each functional department needs to identify operational risks according to its requirements and formulate targeted mitigation measures. The company conducts a comprehensive risk assessment at least once a year to identify potential risks and prevent problems before they occur.

In 2021, we assessed BCM risks in strategies, human resources, logistics, power facilities, production, supply chain, EHS, R&D and IT. A total of 123 high-risk items were found. Targeted measures have been formulated, implemented and tracked following risk management requirements.



Our central industrial base has been certified for ISO22301:2019 BCM system

business dealings with it for three years.

We also emphasize publicity and education. Integrity education is compulsory for new employees, which establishes their law-abiding and compliance awareness. During important festivals and holidays, we conduct anti-corruption publicity and call for business partners to advocate green operations and fulfill their integrity commitment.

In 2021, we carried out anti-fraud education through online training, bulletin boards, OA notices and emails. This have improved employees' integrity and compliance awareness. We also organized all employees to learn the

Business Personnel Behavior Management System. Case analysis was offered to enhance their understanding of the importance and necessity of anti-fraud.

As of the end of the reporting period, corruption risk assessments have been carried out in all operating locations disclosed in this report. 100% of our employees and corporate governance bodies have received anti-corruption training. 100% of our suppliers have been informed of our anti-corruption policies. The company has not been subjected to any lawsuits for violating *the Anti-Unfair Competition Law of the People's Republic of China and the Anti-monopoly Law of the People's Republic of China*.

Grievance and reporting

We encourage all stakeholders to make real-name or anonymous reports on favoritism, fraud and acts that are detrimental to the company's interests. We implement a complaint reporting mechanism. Online and offline channels are available to ensure any violations are reported in a timely, effective and unimpeded manner. We adopt a whistleblower protection policy and keep whistleblowers' information confidential. Any acts of infringing and retaliating against whistleblowers will be dealt with seriously in accordance with relevant regulations.

In March 2022, to conscientiously implement the policy of "leniency for confession, severity for resistance" and the instructions of the company's supervisory committee, we carried out "Spring Thunder Action". Employees suspected of having inadvertently committed violations of law or discipline are provided

with the opportunity to report on their own initiative to gain leniency. This helps strengthen an honest and clean corporate culture.

Reporting channels:

- Tel:** 19375166553.
- Email:** jubao@cngrgf.com.cn
- WeChat applet:** WeChat APP QR code



- Mailbox:** Audit and Supervision Center, CNGR Advanced Materials Co., Ltd., 16/F, Block B, Yunda Central Plaza, Yuhua District, Changsha, Hunan Province Zip code: 410000
- Visit:** Audit and Supervision Center of CNGR Advanced Materials Co., Ltd.

Business ethics

The company adheres to "zero tolerance" of violations of business ethics. It gradually improves supervision and has formulated the *Employee Code of Conduct*, the *Business Personnel Behavior Management System*, the *Administrative Measures for Violations Reporting with Rewards*, and *Integrity Management System*. They provide moral guidance for all employees, regulate their behaviors, and avoid conflicts of interest, internal or external collusion, bribery and corruptions.

The Supervision Management System has been issued in accordance with the requirements of regulatory agencies, needs for internal audits and the company's actual situation. Our Audit and Supervision Center assists the management in identifying, assessing and monitoring risks of fraud. It publicizes the company's anti-fraud policies, establishes reporting channels, and improves

reporting procedures. It accepts reports and complaints of fraudulent behaviors, records, investigates and reports violations, follows up on handling of violations, and regularly reports anti-fraud work to the Audit Committee and the Board of Directors.

The company had formulated the *30 Strictly Prohibited Employee Behaviors*, the *Reward and Punishment System* and related documents and publicized them for strict implementation. It is strictly forbidden to infringe on business secrets and accept corruptions of various forms. To combat commercial bribery and create a clean business environment, we have signed integrity agreements or integrity clauses with all clients and suppliers. When a supplier seriously damages our interests, such as giving/receiving bribery or disclosing the core secrets of CNGR, we will eliminate it from our supplier list and will not have

Information security management

With the rapid development of the Internet, its security becomes increasingly important. To maintain information security, the company has formulated the *Information Security Management System*. The system covers access management, behavior management, audit management and account management. It helps avoid data loss and leakage, thus maintaining the integrity and security of information assets.

In 2021, we conducted a cyberattack drill based on the

Cybersecurity Law of China and our IT emergency plan by simulating cyber-attacks. The drill consisted of five steps, namely finding the target(s), collecting information, detecting vulnerabilities, verifying vulnerabilities and making improvements. It familiarizes relevant departments with emergency responses and improve their response capabilities. The information security drill also helps us find problems in our emergency plan, so that we can improve it and optimize its effectiveness.

Solid win-win cooperation for low carbon development



Technological innovation

As a leading manufacturer of cathode precursor materials for lithium-ion batteries in China, CNGR has always emphasized R&D and innovation. It has internationally leading technologies, a strong innovation platform and sound R&D capabilities.



Scientific research resources

Technicians
about **580**

R&D investment in 2021/
million yuan
769.20

R&D investment increase
comparing to 2020
184.77%

The company has a national enterprise technology center, CNAS-certified labs and a full range of testing capabilities covering the physical, chemical and electrical properties of materials. CNGR Research Institute is the R&D and innovation center of the company. Consisting of the Institute of Materials and the Institute of Metallurgy, it undertakes multiple functions including new product development, cultivation of technologies, cooperation with other entities and knowledge management. It has the largest pilot R&D workshop in the industry. The workshop covers an area of 14,800m². It has 276 sets of equipment with a total original value of 16.70 million CNY and an annual production capacity of 15,000 tons. It satisfies all the conditions for small tests, pilot tests and mass production of various precursor materials, and provides thousands

of samples to customers every year. The workshop has a full range of R&D capabilities covering product development, equipment development, engineering design, testing, verification, process and manufacturing. It leads the company's technological innovations and mass production. By the end of 2021, CNGR Research Institute has about 580 technicians, 378 of whom are researchers. Among them, 345 have a bachelor's degree or above. The company increases scientific research investment year by year. Its annual investment in R&D accounts for over 3% of its total operating income. The R&D investment in 2021 was 769.20 million CNY, an increase of 184.77% over 2020 and accounting for 3.83% of total operating income.

Intellectual property management

Applied Chinese patent in total/item
236

Granted Chinese patent in total/item
122

CNGR highly values intellectual property (IP) management. It improves its IP management, IP analysis and early warning, and IP development strategy. In addition to protecting independently developed technologies, it avoids IP-related risks. To ensure that employees do not infringe the IP rights and trade secrets of third parties and protect the company's IP rights and trade secrets, we have signed the *Intellectual Property Statement* and the *Employee Non-competition and Confidentiality Agreement* with all employees. The company has hired professional IP managers since its establishment. In October 2015, it set up IP Management Department. With gradually improved functions and structure, the department has formed close ties with other functional departments such as the R&D Department and the Legal Department. We take every opportunity to attract outstanding professionals in patent drafting, analysis, early warning and management. We regularly organize personnel concerned to attend IP training, to

improve their IP protection awareness and help our R&D personnel to keep abreast of patent technology trends in the industry. We encourage technical staff to invent and create. We improve IP incentives and have established 14 systems and processes to ensure efficient R&D. They include the *Advanced Product Quality Planning and Control Process*, the *Independent R&D Management System*, and the *Product Development Management System*. We have also formulated the *Incentive Measures for Precursor R&D*, the *Management Rules for R&D Points System*, the *Patent Reward System*, and the *Incentive Measures for Circulation Sectors*. We set up KPIs for technical research and patent evaluation, and encourage employees to innovate and develop new products. In the face of increasingly fierce market competition, we began to apply for PCT patents in 2021 to improve our international competitiveness. As of the end of the reporting period, we have applied for 236 Chinese patents and 2 PCT patents, of which 122 Chinese patents have been granted (60 invention patents and 62 utility model patents). In addition, we completed the application of 5 "Lithium Battery Baby" trademarks, the registration of 2 pattern copyrights, and the application of 5 trademarks of our joint ventures in Indonesia.

Industry-university-research cooperation

To ensure the company has leading technological strength and great innovation vitality, we have built an integrated industry-university-research cooperation platform. We have built a lab together with the Hong Kong University of Science and Technology, and maintain long-term strategic partnership with Tsinghua University, Central South University and Guizhou University. Besides, we closely cooperate with global clients to conduct directional development and diverse market-oriented R&D cooperation.

Cooperation project between CNGR and Tsinghua University Key technologies for preparation and industrialization of high-performance cobaltosic oxide for lithium-ion batteries

This project enriches theories for cobaltosic oxide synthesis, and realizes the integration of research on cathode precursor materials and anode materials with cobaltosic oxide for lithium batteries. A number of technologies have been developed and the project has formed industrial demonstration effects. This project breaks the bottleneck in insufficient production capacity of precursor materials in China and breaks through foreign technical barriers. It has obtained 13 invention patents and 10 utility model patents. In the past three years, it produced 24,000 tons of cobaltosic oxide, created a total sales income of 1.587 billion CNY, and increased profits and taxes by 212 million CNY.

Major R&D achievements

Newly developed or optimized products per year

over **1,000**

Core technology/item

23

CNGR focuses on innovation in high-nickel low-cobalt precursors, high voltage cobalt oxide and comprehensive recycling. We build diverse, customized and efficient mass production capabilities to update products and meet client needs. We conduct research on the mechanism of new energy materials and the application of new products. The company develops or improves over 1,000 products annually. Our key technologies are internationally leading and 23 core technologies has been commercialized for industrial production, which create billions of economic benefits.



Single-crystal precursor synthesis technology

Due to the existence of a large number of fine powders, polycrystalline precursors are susceptible to cracking and crushing during charge-discharge cycles. Their defects are short cycle life and poor thermal stability. In contrast, single-crystal particle structures have good stability. They can overcome the above-mentioned shortcomings of polycrystalline materials, having excellent cycle performance and better safety performance. Therefore, single-crystal precursors have become a trend in the industry. In 2021, CNGR independently developed a single-crystal precursor synthesis technology. It achieves precise control of primary grain nucleation and growth as well as secondary grain growth. It enables preparation of single-crystal precursors with good sphericity, uniform morphology, no agglomeration and narrow distribution. The single-crystal precursors can stably maintain a high BET of 18m²/g. This technology also raises TD from 1.3g/cm³ to 1.6 g/cm³, a technical bottleneck of the industry. The precursors have such advantages as high voltage, high capacity, high safety and long cycle.



Cobalt-free precursor synthesis technology

Cobalt-free materials can not only reduce dependence on scarce cobalt resources, but also improve specific capacity and reduce costs. They are the further trend of precursor materials. However, their shortcomings like poor cycle performance and poor thermal stability restrict their industrial applications. In 2021, CNGR independently developed a cobalt-free precursor synthesis technology. Precise control of the opening process creates precise crystal form and structure at one time. It produces precursors with high specific surface, high vibration and high crystallinity. Currently, our research on cobalt-free NM binary precursors covers series 3-9, of which series 5 and series 7 have been mass produced with stable output in large quantities. The performance of our binary NM cobalt-free products is on a par with that of NCM811, but the cost is 5-15% lower. This makes them well received by clients. Cobalt-free batteries produced with the materials have better electrical performance, longer lifespan, greater safety, require less costs, and reduce dependence on cobalt resources.

Quality assurance

Product quality assurance



The company upholds the policy of "technology changes the world, quality determines the future". Our quality strategy is "carbon peaking and carbon neutrality goals lead the era, quality benefits the society". We are committed to providing clients with high-quality products and services. In 2021, we adopted "management systems, quality tools and process" approaches to continuously improve quality based on customer demands.

We are one of the first enterprises to introduce ISO9001, IATF16949, lean production and VDA6.3. In July 2021, our testing center passed ISO17025 certification. Our Quality Management Center takes charge of product quality management. It has exerted great efforts to formulate system standardization documents. Currently, there are more than 4,000 such documents in CNGR.

Our management is centered on "specifications". We manage contracts, products, processes and manufacturing through product specifications, quality planning, manufacturing controls, manufacturing standards and acceptance standards. We also review quality management systems every year to control product quality and meet customer needs.

We have introduced such advanced tools as Six Sigma, 8 disciplines of problem solving (8D) and Kanban management to improve product quality management. We implement error proofing, CQI and LPA in daily

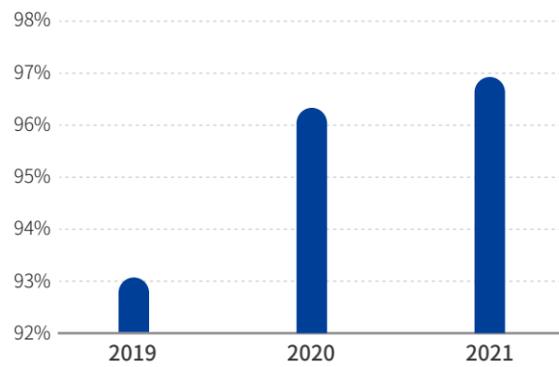
production and management to improve quality. The Quality Management Center feeds back the voice of clients and promotes our industrial bases to respond to the voices, so as to better meet the needs of end consumers and OEMs. We organize 8D reporting competitions every quarter to enhance experience exchanges among industrial bases.

In addition, we put forward high requirements for suppliers on quality management. We assist them in capacity building by offering training and improving their testing skills. In 2021, we trained suppliers on foreign matter management, 5M1E change management and CNGR's quality requirements. We told them the requirements of customers, helped them improve internal controls, and inspected and improved foreign matters (copper, zinc) in their products. The company signs the *Annual Target Confirmation Letter* with material suppliers at the beginning of each year. The letter sets clear targets for raw material qualification and foreign matter management to ensure high-quality delivery. We also prepare an early warning template and conduct SPC control. When testing data exceeds the control line, we will issue an early warning and require suppliers to analyze the reasons and take rectification measures, so as to avoid substandard materials.



Supplier capacity building

Pass rate of packaged finished products



We execute our *Procedure for Control of Non-conforming Output* to control non-conforming raw materials, semi-finished products and finished products. Regarding product recalls, we analyze the reasons and divides them into recalls caused by quality factors and recalls caused by non-quality factors. In 2021, there were no recalls due to product quality. The recalls were all caused by non-quality factors, such as accidental damage during transportation, mismatch between delivered products and orders, and business reasons. The main recall was caused by powder leakage from ton bags (a recall rate of 0.12% in 2021). After analyzing the reasons, we

found the leakage was mainly caused by impacts during transportation. Therefore, we further regulated transportation and vacuumed ton bags to change the air pressure. This has effectively reduced the probability of powder leakage. Since 2019, the pass rate of our packaged finished products has increased year by year.

Customer service

We implement a "customer-centric" three-level-pyramid service system. The Operations Center provides direct services to customers. It is supported by R&D, production and quality departments at the second level, and by human resources, engineering, capital, finance and general affairs quality departments at the third level. We attract new customers and retain old ones, which lays a solid foundation for our sustainable development and customer satisfaction.

Our documents like the *Customer Service Management Procedure*, the *Customer Request Response System* and the *Customer Complaint Management System* regulate customer services and clarify the responsibilities of functional departments. We improve coordination between departments to provide high-quality services to customers.



Quickly respond to customer needs

We have sales staff in or send them on a business trip to customers' locations, who can respond to customer needs on the same day. Compared with traditional models, this enables effective communication with customers in a timely manner.



Provide customized services

We are willing to listen to customers' needs and put ourselves in their shoes to offer them high-quality services. We also collect and analyze the requirements of their downstream customers or end brands, track industry trends, and provide forward-looking products and services. Besides, we offer customized services to satisfy special needs.



Effectively handle customer complaints

Customer service staff initiate a *Customer Complaint Handling Form* within 4 hours of receiving a complaint, notify the responsible department(s) to set up a working group to analyze the cause, formulate measures and prepare an 8D report. We reply customers within 3 working days or within the time limit specified by them. As for complaints from major customer, we inform them of handling progress on a daily basis. We closely track customer feedback and regularly conduct spot checks on improvements and customer feedback to avoid the recurrence of similar complaints.

We conduct customer satisfaction surveys every year. The surveys cover product quality, service and delivery. After the Operations Center analyzes customer feedback, the Quality Assurance Department cooperates with other departments to formulate measures for improvements. We keep strengthening employees' awareness of customer privacy. All employees have signed a confidentiality agreement with the company, and have received confidentiality training after joining the company. We

examine the business ethics of employees engaged in important projects and restrict the spread of information. Besides, we implement division of labor and collaboration to control the exchanges of key information across functions or business sections.

During the reporting period, there was no complaints or incidents related to violations of customer privacy. Our customer complaint rate decreases year by year.

Sustainable supply chain

CNCR is devoted to building a responsible supply chain. We promote the sustainable development of the industry with our influence as a leading enterprise.

Supplier management

Our suppliers are divided into main material suppliers, auxiliary material suppliers, equipment suppliers and engineering suppliers. They are managed by Quality Management Center in CNCR headquarter. To guide them to better implement our management standards, we have formulated and distributed the *Supplier Requirement Manual* to them. The manual describes systems and precautions in all related links, including supplier management (access, certification, evaluation, withdrawal), product service supply, and order management.

We include social responsibility and environmental factors into supplier access and evaluation. Suppliers of main raw materials need to pass our sample evaluation, on-site audits, pilot production test and other related procedures. On-site audits focus on environmental, health, safety and hazardous substance management. For cobalt and nickel suppliers, we add supply chain due diligence investigations. Suppliers are required to fill in our business continuity

management (BCM) questionnaire every six months. The questionnaire includes their business conditions, policies related to environmental safety and major incidents, so that we can identify and avoid risks affecting business continuity. We conduct performance appraisals on material suppliers on a quarterly basis, which cover quality, technology, business affairs and compliance. We also perform on-site audits according to an annual on-site audit plan formulated based on suppliers' performance. Suppliers needs to rectify identified non-conformities within 7 working days. We implement grading-based supplier management. The suppliers are graded according to quarterly and annual audit results. We increase purchases from grade A suppliers (≥ 90 points) and enhance cooperation with them. Grade D suppliers are required to rectify the non-conformities. The procurement will be stopped if they still fail to reach our standards after the rectification.

CNCR's supplier management performance in 2021

| | |
|--|--|
| Number of new suppliers in 2021 | 11 |
| Number of new suppliers screened using social or environmental criteria | 7* |
| Number of suppliers that have conducted social or environmental impact assessments | 30 |
| Number of suppliers identified as having actual and potential significant negative social or environmental impacts | 2, both of which have agreed to rectify the problems found |

*Note: Due to the impact of the COVID-19 pandemic, 4 of our overseas suppliers did not received our on-site audits.

Responsible management of minerals

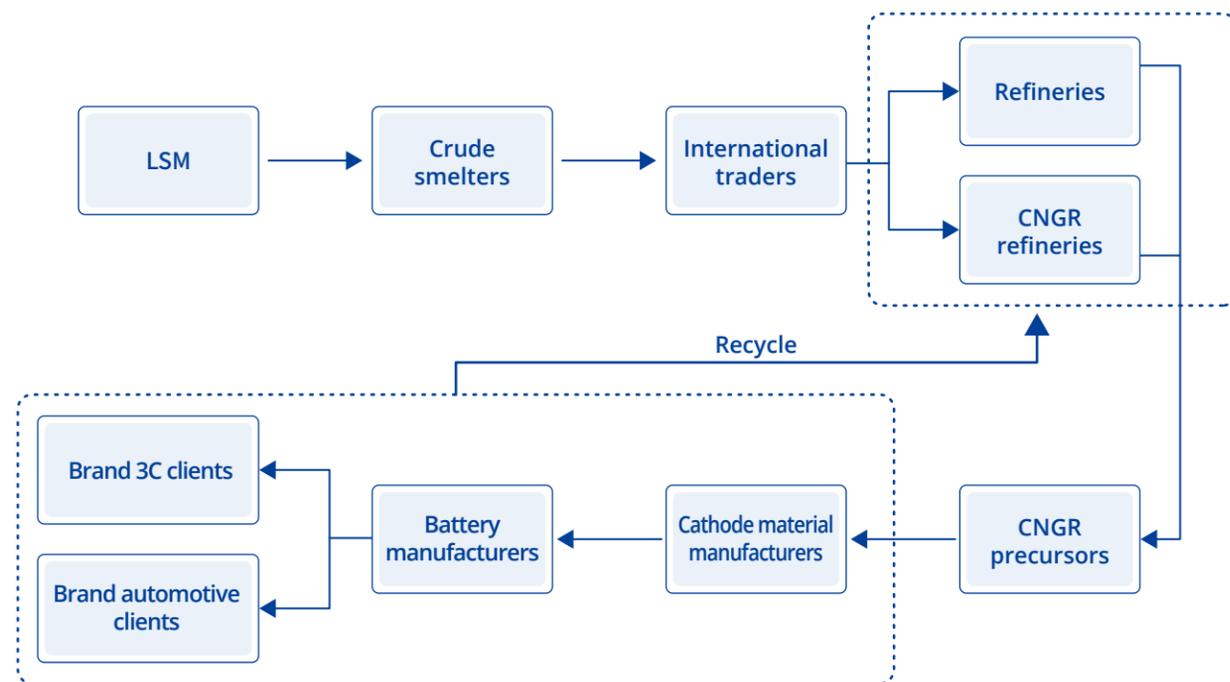
The company's *Due Diligence Policy for Mineral Supply Chains* and *Code of Conduct of Suppliers* are prepared based on the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas* issued by the Organization for Economic Co-operation and Development (OECD) and the *Due Diligence Guidance for Responsible Mineral Supply Chains in China* issued by the China Chamber of Commerce of Minerals and Chemicals (CCCCM). We began to carry out due diligence management of cobalt supply chain in 2017 and in 2021, we further included nickel into our due diligence management system and upgraded our due diligence management of mineral supply chains.

We have a mineral supply chain due diligence management team. It is administered by CNGR's CEO, who acts as the leader of the team. There is a working group under it. Head of the working group is assumed by a senior manager with rich experience in due diligence management. Its members are employees engaged in supply chain management, quality assurance, systems, human resources, manufacturing operations, finance, and staff of labor union. The working group conducts due diligence management on upstream

suppliers. It promotes due diligence for mineral supply chains among suppliers.

We conduct due diligence investigations on our nickel and cobalt suppliers. Based on Know Your Supplier (KYS) questionnaires, mineral source surveys and on-site assessments, we update the supply chain map every six months. To improve information transparency, we implement a traceability system and check the balance of incoming metals on a monthly basis.

We assess mineral supply chain related risks in terms of armed conflicts, human rights and government governance. The assessments show there is no risks in serious violations of human rights (including the worst forms of child labor, forced or compulsory labor) and support of non-government armed forces in our supply chains. We also execute the *Social Responsibility Complaint Management Process*. Any stakeholder can complain about violations of laws, regulations, social responsibility, especially regulations on supply chain due diligence in our products and operations. We receive opinions, suggestions or appeals with an open attitude via multiple channels like WeChat applet, suggestion box and email.



CNGR mineral supply chain map

| WeChat applet "Integrity CNGR" | Other channels |
|---|--|
|  | <ul style="list-style-type: none"> • CSR public email: cngrCSR@cngrgf.com.cn • Suggestion box, head of departments, Human Resources Department, General Manager's Office, CEO's Office or the company's senior leaders |

Upholding transparent and responsible management, we invite third-party agencies to conduct due diligence audits on our cobalt supply chains. We also require smelters (a key link in supply chains) and encourage suppliers that use recycled materials to accept independent third-party audits. In addition, we promote due diligence management among the senior management of cobalt and nickel raw material suppliers, and help suppliers establish a due diligence management system.

Our central industrial base and western industrial base have passed the RMAP review. In the past year, 12 of our cobalt-containing material suppliers passed the audit of the Responsible Minerals Initiative (RMI), and we offered 15 on-site guidance and training sessions for first-tier cobalt-containing material suppliers.

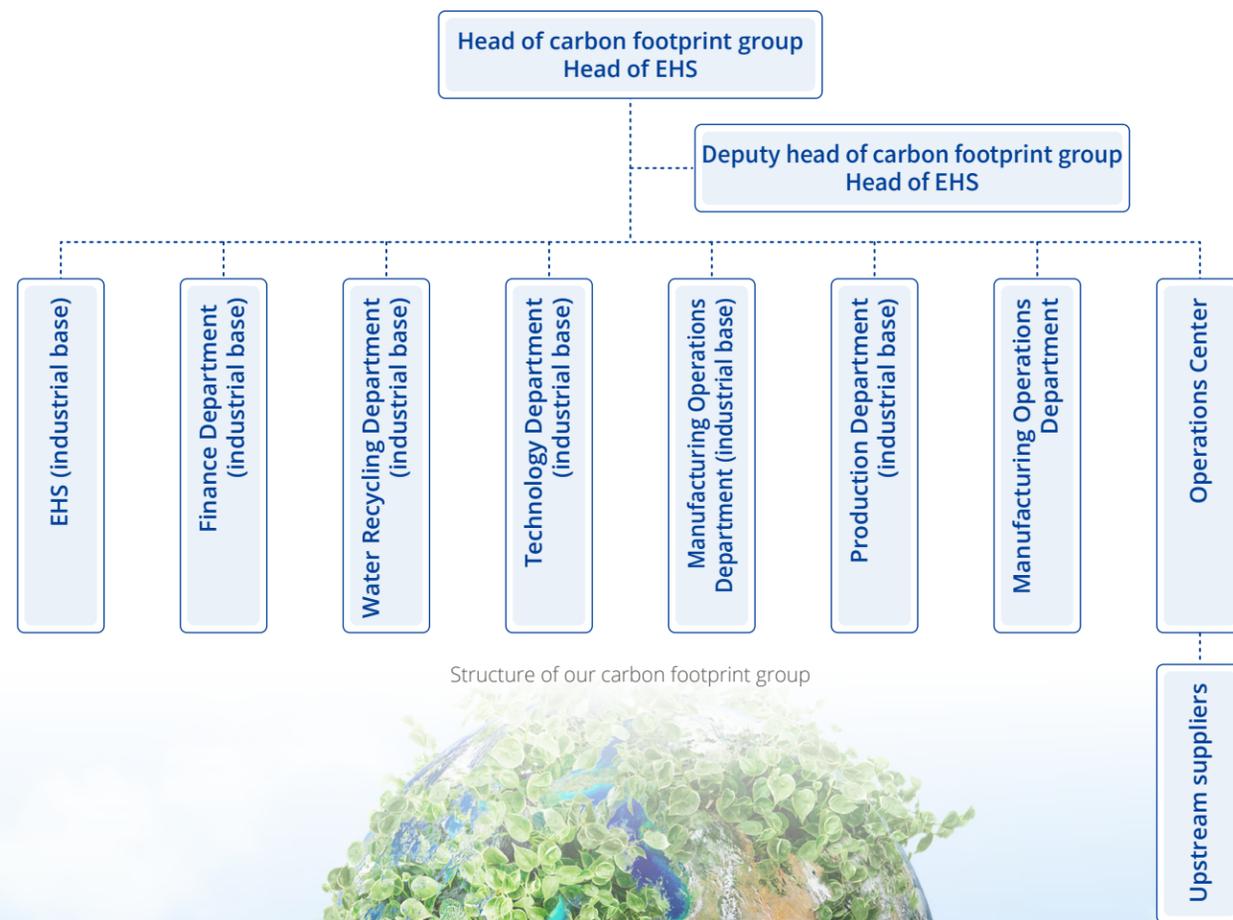


Training on supplier social responsibility and supply chain due diligence

Response to climate change

To respond to global climate change and reduce greenhouse gas emissions, we set up Greenhouse Gas Emission Verification and Product Life Cycle Assessment Working Group (hereinafter referred to as the "carbon footprint group") in 2021. This helps us improve energy and material consumption efficiency, reduce costs, increase operational efficiency, and address risks and opportunities related to greenhouse gas, climate change and sustainable development.

The carbon footprint group is headed by the head of the company's EHS department. Its members are from EHS, Finance Department, Water Recycling Department, Technology Department, Manufacturing Operations Department, and Operations Center. The Operations Center conveys management requirements for greenhouse gas emission verification and product life cycle assessment to suppliers, and requires them to perform corresponding management and submit related data.



Structure of our carbon footprint group



With reference to the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), we have built a climate change management system focusing on governance, strategy, risk management, goals and completion.



In 2021, we reviewed greenhouse gas emissions in our central and western industrial bases, and invited professional institutions to conduct verifications.

Sources of greenhouse gas emissions of different scopes

| Scope | Source |
|---------|--|
| Scope 1 | Direct emissions from locations of operations owned or controlled by CNCR within the geographic scope of this report |
| Scope 2 | Indirect emissions from purchased or acquired electricity, heating, cooling and steam consumed |
| Scope 3 | All other indirect emissions occurring outside CNCR, including upstream and downstream emissions |

Greenhouse gas emissions in 2020 and 2021

| Item | Unit | 2020 | 2021 |
|----------------------------------|-----------------------------------|---------|---------|
| Scope 1 emissions | tCO ₂ e | 42,961 | 72,200 |
| Scope 2 emissions | tCO ₂ e | 317,911 | 592,700 |
| Total emissions | tCO ₂ e | 360,872 | 664,900 |
| Scope 1 and 2 emission intensity | tCO ₂ e / ton products | 3.77 | 3.50 |



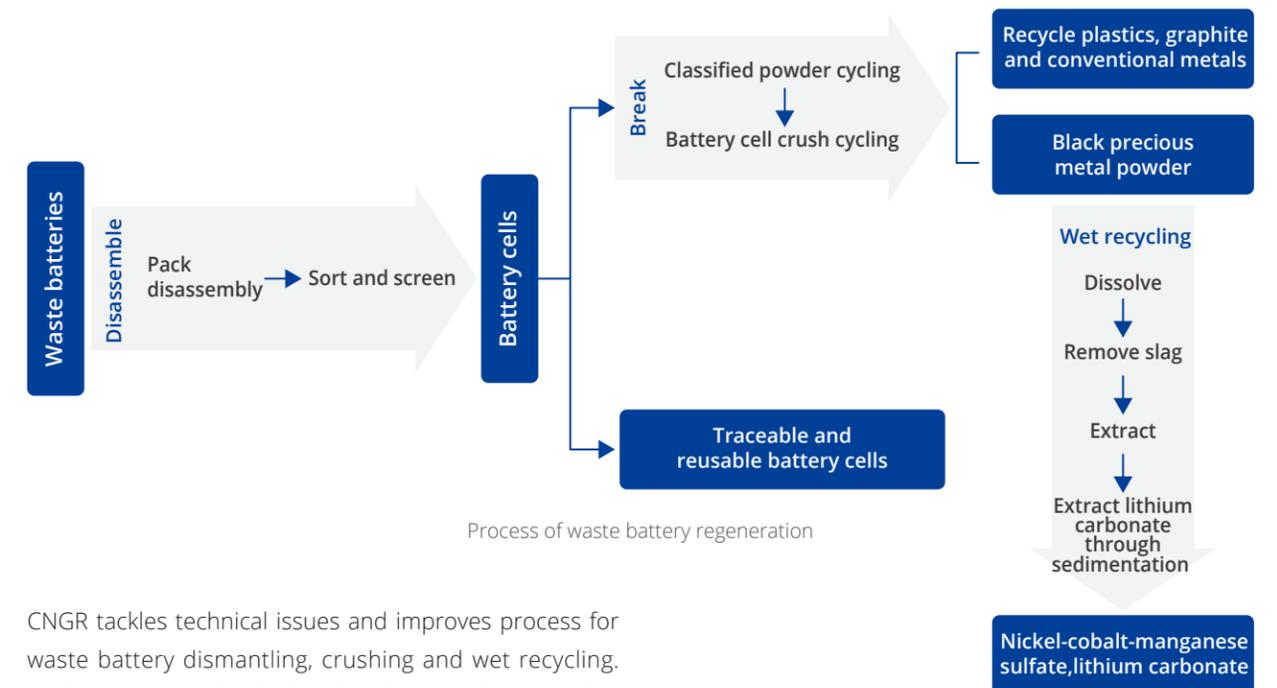
In addition to greenhouse gas emission investigation, we conduct product LCA (life cycle assessment) to evaluate its potential impacts on the environment, with the focus on global warming potentials. We conducted LCA on one product in 2021, and plan to cover all important products in 2022. This helps us understand potential impacts on the environment such as carbon footprint, and provides us with scientific basis to develop strategies and plans on climate change.

In addition, we actively promote energy transformation. Efforts are made to increase the proportion of green electricity and other clean energy in total electricity consumption. We plan to include 50% of clean energy into the power procurement contract of central industrial base from 2022, and will extend it to other industrial bases in the future. Besides, we promote upstream suppliers to respond to climate change and reduce emissions.

In August 2021, we invited SGS, an internationally recognized inspection, appraisal, testing and certification body, to give training on greenhouse gas management for more than 40 suppliers. This lays a good foundation for us to promote the reduction of Scope 3 emissions in our supply chains.

Circular economy

With the iteration of new energy vehicles, a large number of power batteries have retired. This creates a market opportunity, i.e., recycling and harmless treatment of waste lithium-ion batteries, which can alleviate the shortage of strategic metals like nickel and cobalt in China. CNGR has set up Renewable Resource Center in 2022. The center engages in retired battery recycling and resource regeneration based on our flexible automated production lines. The aim is to achieve closed-loop management of lithium batteries. By doing so, we promote enterprises in the value chain to minimize the consumption of natural resources and reduce impacts on the environment.



Process of waste battery regeneration

CNGR tackles technical issues and improves process for waste battery dismantling, crushing and wet recycling. We have independently developed low-carbon recycling technology. It creates high metal leaching rate and low consumption of auxiliary materials. The technology enables us to efficiently recover valuable metals such as nickel, cobalt and manganese, and reduce the use of lithium battery extraction solutions. We also make efforts to improve the regeneration of retired battery materials. By simplifying process flow, we have effectively reduced energy consumption and water consumption in production.

We have reached partnership with upstream and downstream enterprises to contribute to waste battery recycling. Our applet for retired battery recycling is already in use. Efforts are being made to build more recycling stations. In addition, we are negotiating with downstream companies to establish a joint venture for battery recycling.



Applet for retired battery recycling



Retired power battery recycle bin in Guiyang



Mobile retired power battery recycle station in Zhengzhou

Resource conservation and green operations



Environmental management system

CNGR shoulders the social responsibility of environmental protection and pollution prevention. It takes safety first and advocates people-oriented operations. The company is well aware of the importance and necessity of environmental protection and energy conservation. It pursues green production and continuously reduces negative impacts on the environment.

At a time when energy crisis and the climate deteriorate, we attach great importance to environmental compliance. We implement an environmental management system prepared according to GB/T24001:2016/ISO14001:2015. It provides a structured operating mechanism for our environmental management and improves our environmental performance. We strictly abide by the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Environmental Impact Assessment*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* and other related laws and regulations. We assess the environmental impact of our industrial bases and obtain EIA approvals. We execute the company's *Environmental Protection*

Responsibility System, the *Management System for Online Monitoring Equipment for Environmental Protection*, the *Environmental Protection Facilities Management System*, the *Three Simultaneous for Environmental Protection and Pollution Discharge Permit Management System*, the *Air Pollutant Management System*, the *Wastewater Pollution Management System*, the *Rainwater Pollution Management System*, the *Solid Waste Pollution Management System*, the *Noise Pollution Management System*, and the *Soil Pollution Management System* to guide our EHS work. They help ensure that the company achieves environmental compliance.

We implement our *Environmental Factor Identification and Evaluation Procedures* to identify environmental factors in our production and operations, and determine factors that (possibly) have significant impacts on the environment. In 2021, we identified a total of 719 environmental factors, including 30 major ones. We have implemented targeted risk management measures against them.

In 2021, there was no major pollution leakage accident and the company was not subject to major fines or penalties for violating environmental laws and regulations.

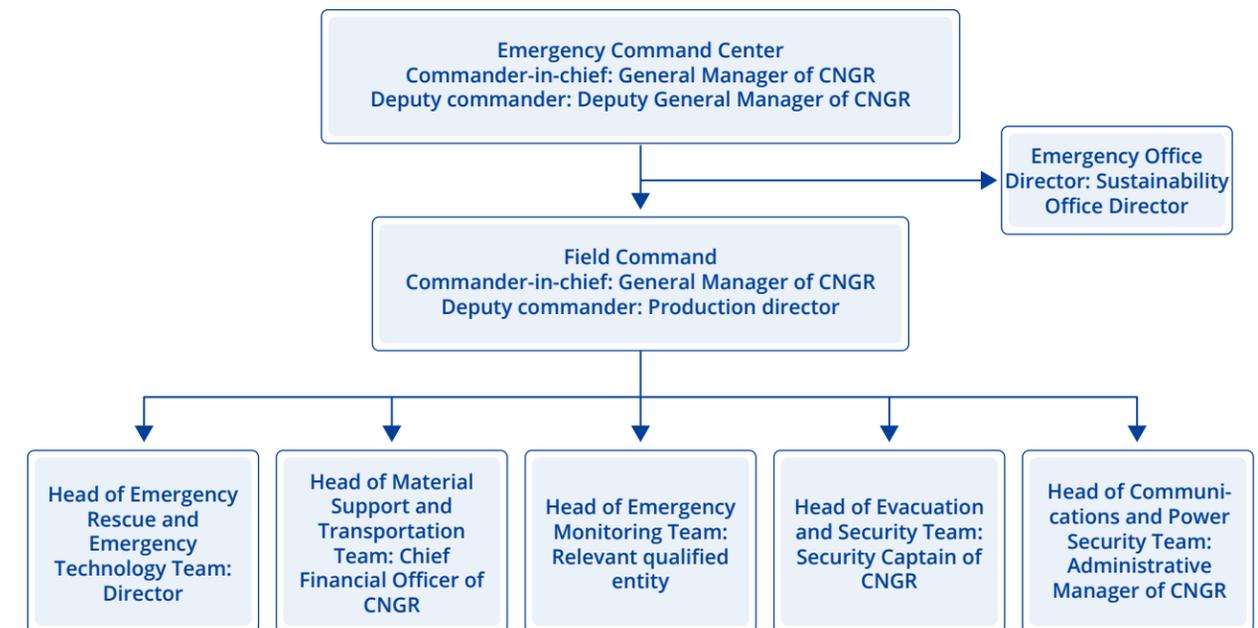
Environmental management targets for 2021 and completion

| Environmental management targets for 2021 and completion | Goal | Performance in 2021 |
|---|------|---------------------|
| Environmental pollution accident | 0 | 0 |
| Compliance rate in environmental monitoring | 100% | 100% |
| Environmental complaints from customers and related parties | 0 | 0 |

Emergency plans and drills

We optimize emergency response for environmental pollution incidents, and improve our response capabilities to prevent and reduce the occurrence of environmental emergencies and the damage they cause to the greatest extent

possible. We follow the idea of "prevention first, people-oriented local management, unified thinking, rapid response and compliant operations" in emergency response. The *Response Plan for Environmental Emergencies* has been prepared. Our environmental emergency command sector commands environmental emergencies. It formulates environmental emergency management policies, prepares emergency plans and work plans, and supervises implementation of the plans. It prevents the occurrence of accidents and reduces the harm caused by accidents. It consists of Emergency Command Center, Emergency Office, Field Command, and emergency working groups. Under the leadership of the command center, members respond to emergencies based on actual situations.



CNGR's emergency management structure

The emergency plans adopt a hierarchical response. They cover emergency response procedures and command systems. Identification efforts show that main environmental emergencies that may occur in CNGR are secondary environmental events caused by corrosion, leakage and fire of hazardous chemicals. After the early warning state is initiated, we immediately start relevant emergency plan. Once an accident exceeds the emergency response capability of a certain level, it should request emergency response at a higher level or seek support from the government in time.

In 2021, we organized a number of environment-related trainings and drills. They include fire evacuation drills for staff in office buildings, natural gas leakage drills for canteen staff, emergency training in production workshops (use of emergency materials, emergency response, cardiopulmonary resuscitation), heat stroke response drills, fire emergency drills, emergency drills for confined spaces, emergency drills for hazardous chemicals leakage (ammonia/acid-base/extractant). The drills have improved employees' awareness and ability of emergency rescue.



Fire evacuation emergency drill



Emergency drill for confined space

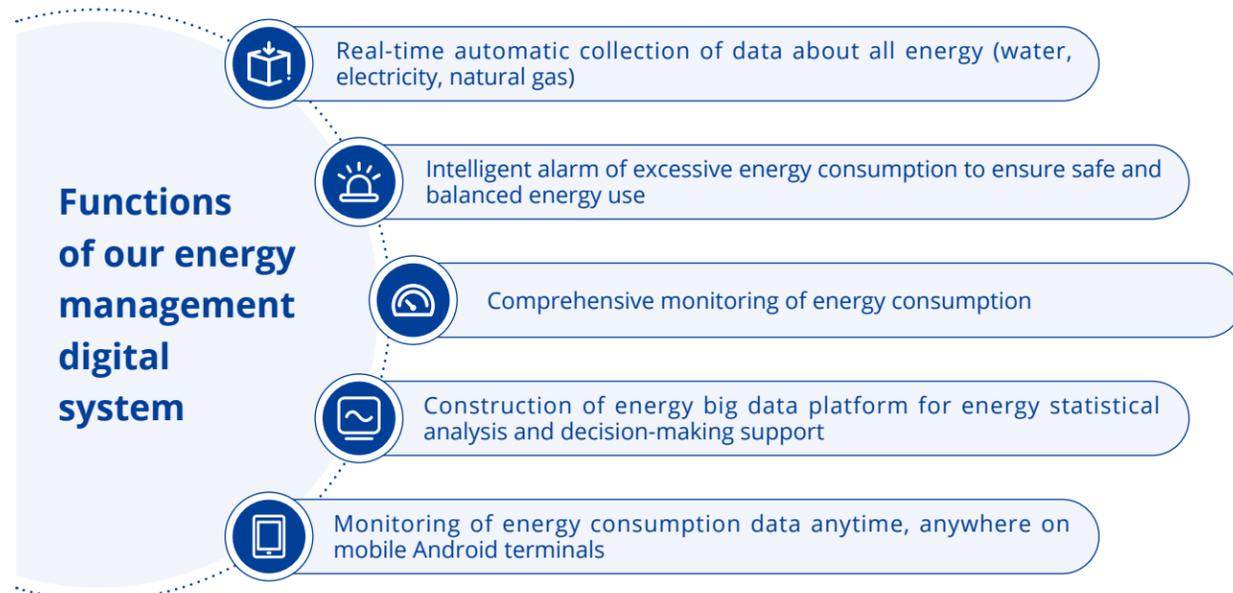
Energy management

With industrial development and energy reforms, China has become the world's largest energy supplier. CNCR consciously abides by energy conservation laws, regulations, standards and related requirements. It regularly conducts compliance evaluations and optimizes energy conservation compliance. Main energy consumed by CNCR include coal, diesel, natural gas, purchased electricity and steam.

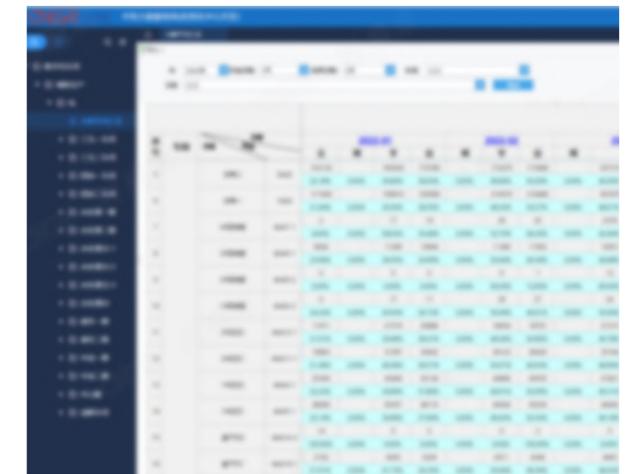
Energy consumption of CNCR in 2019-2021

| Energy | Unit | 2019 | 2020 | 2021 |
|-------------------|-----------------|--------------|--------------|--------------|
| Coal | Ton | 8,070.50 | 4,579.05 | 6,706.67 |
| Diesel | Liter | 37,720 | 34,411 | 77,330 |
| Natural gas | m ³ | 1,992,592 | 2,569,399 | 10,670,533 |
| Electricity | kWh | 196,331,358 | 273,348,600 | 556,479,868 |
| Steam | Ton | 167,894.06 | 154,506.00 | 423,830.41 |
| Total consumption | GJ | 1,383,569.18 | 1,534,449.32 | 3,247,293.79 |
| Energy intensity | GJ/ton products | 23.96 | 16.01 | 17.10 |

Our energy use conforms to CNCR's general policy. Energy review is an important means of our energy management. When establishing an energy management system, we always conduct initial energy reviews. The company has established a special energy review team to regularly check whether project energy consumption meets requirements. We plan to apply for ISO50001 energy management system certification in 2022. To improve the accuracy of energy management, we have formulated energy measurement management approaches. We collect, process and aggregate energy data, and ensure the data is correct and reliable through traceability certification. Each department has meter reading personnel to perform statistics, supervise and verify data about production process control, product quality inspection, energy measurement, safety protection and environmental monitoring. They implement energy management systems and conduct online monitoring. Besides, we actively promote digitization of energy data. The digital system has been put into use in our central industrial base.



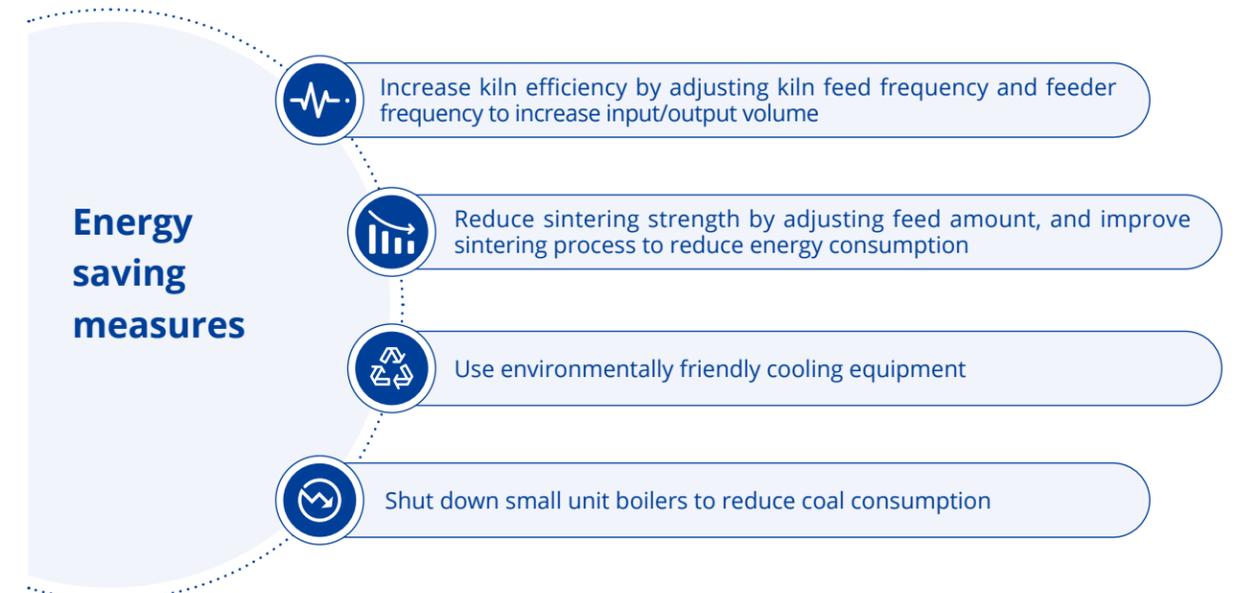
Meter readers regularly record energy consumption



Energy management digital platform of our central industrial base

Energy conservation measures

We take multiple measures to increase energy-savings. Publicity is strengthened to improve employees' energy conservation awareness, promoting them to strictly abide by the company's regulations on water, electricity and natural gas use. Different departments enhance energy management in their own ways. For example, the Manufacturing Operations Department manages statistics of energy consumption. The Equipment Department has formulated the *Equipment Maintenance Safety Management System*, the *Production Equipment Spot Inspection and Maintenance System*, the *Measuring Management System*, and the *Key Equipment Comprehensive Management System*. It improves energy efficiency and saves energy through equipment maintenance.



Water resource management

China's per capita water resources is only 2,340m³ a year (calculated based on a population of 1.2 billion), which is 1/4 of the global average. However, its annual wastewater discharge is close to 40 billion m³. More than 90% of Chinese cities are polluted. About 50% of groundwater is contaminated and over 50% of drinking water sources in major cities and towns do not meet national standards. In response to the country's call for "strategically shift from treatment to source control, vigorously promote cleaner production" and "protect drinking water sources, improve drinking water safety", CNGR takes multiple measures to strengthen water resources management.

Water risk management

CNGR is aware that water resources management has a profound impact on its sustainable development and environmental sustainability. We assess annual water risks in our operating locations with Aqueduct™ tools developed by the World Resource Institute (WRI). The assessment covers the quantity of physical risks (such as baseline water stress, meteorological hazards), the quality of physical risks (water quality impact), and regulatory and reputational risks. The result shows that in 2021, central industrial base in Ningxiang had medium-low water risks and western industrial base in Tongren had medium-high water risks. We monitor the changes in water risks in the areas/ water areas where we operate and perform water resource demonstration for key projects. The steps include analyze the development and utilization of water resources, evaluate water conservation, and demonstrate water source(s), impacts of water withdrawal and water discharge. This helps us clarify the amount of water

consumption, rationality, water withdrawal plan, water source reliability, water discharge plan and its feasibility. We formulate remediation and compensation measures for the impacts of water withdrawal and discharge, and develop water resources conservation, protection and management measures to ensure that local water resources can support our long-term operations and the development of stakeholders as well. None of the company's plants are located in or adjacent to protected water resources. Water consumed by central industrial base comes from municipal supply by Dongcheng South Taihu Water Plant, and by western industrial base comes from municipal supply and surface waters of the Wuyang River. Domestic sewage and production wastewater generated by the two bases are treated as required and discharged after reaching the standard. In 2021, our water withdrawal and discharge did not exert negative impacts on local water sources.

Water cycle management

To save water and reduce water resources waste as much as possible, CNGR has built water recycling centers. The center treats wastewater generated from the production of precursors and cobaltic oxide products separately. It recovers nickel, cobalt and manganese for resource recycling. Through MVR evaporation and crystallization, NH₄⁺, SO₄²⁻, Mg²⁺, NH₄⁺, and Cl⁻ in wastewater produce by-products, namely high-purity Mg(NH₄)₂(SO₄)₂, NaCl, NH₄Cl, and Na₂SO₄ which can be sold as commodities. We continuously increase water treatment capacity to meet the needs from increasing productivity, while improving technical processes to increase the water recycling rate, the purity of by-products, and the proportion of recycled



water in total water consumption.

Central industrial base has built an independent wastewater treatment plant. Covering an area of about 80,000m², it is managed by 240 professional personnel. To improve scientific and digital environmental management in plant, we implement the water resource responsibility system. We execute total controls over demarcated water protection areas, and conduct green water cycle management. The pollutants discharged by us stably meet national environmental protection standards and local management requirements. In 2021, central industrial base invested 700 million CNY in environmental protection and built 6 new water treatment workshops. Its water treatment capacity doubled compared to 2020, reaching a daily average of 8,000m³.

Western industrial base is equipped with 5 water treatment workshops for water recycling. The wastewater treatment facilities are procured from first-class manufacturers in China to ensure stability and efficiency. The main equipment is 3 sets of heavy metal removal equipment, 1 set of catalytic oxidation equipment (4 wastewater treatment lines), 8 sets of nanofiltration and reverse osmosis equipment, 4 sets of deamination equipment, 2 sets of pure water equipment, and 12 sets of MVR equipment. The workshops adopt a 24-hour shift work schedule to maximize wastewater treatment and recycling with a designed wastewater treatment capacity of 14,436m³/day on average.



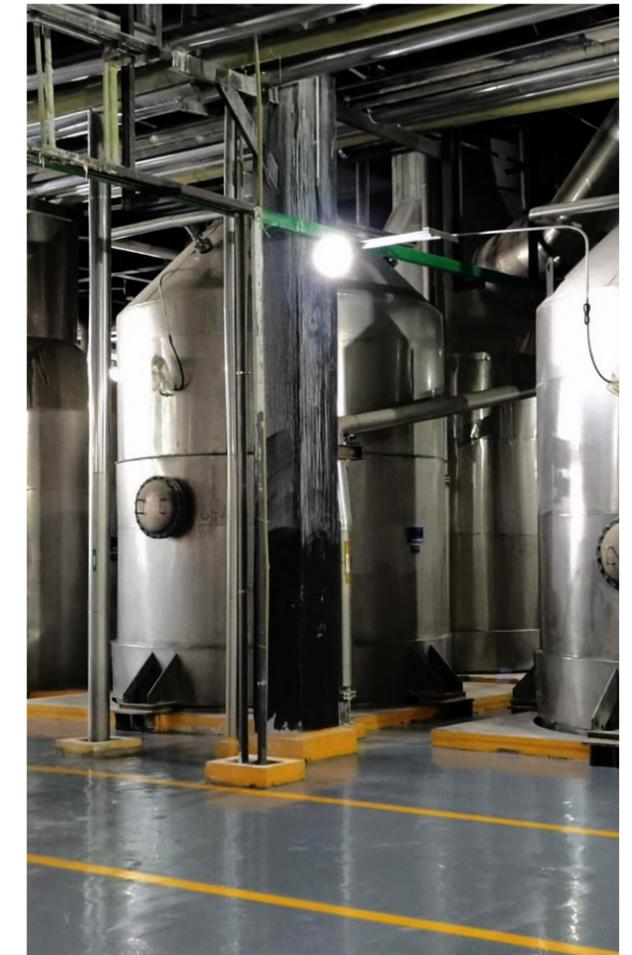
Online water resource controls in central industrial base



Reverse osmosis - pure water production workshop in central industrial base



Online water resource monitoring equipment in western industrial base



Wastewater treatment facilities in western industrial base

Measure for cost reduction and efficiency improvement

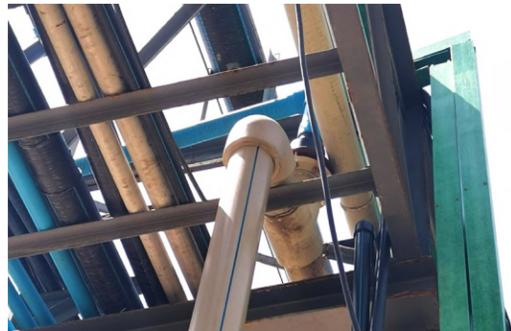
In 2021, central and western industrial bases took multiple measures to further reduce production costs and improve efficiency.



Central industrial base reused steam through sodium sulfate MVR evaporators



Western industrial base reduced the energy consumption of MVR through secondary utilization of steam



Western industrial base reduced the electricity consumption of raw liquor pumps by improving the feeding of raw materials



Western industrial base saved electricity and improved efficiency by adding and modifying pipelines

Wastewater discharge management

To strengthen wastewater management, guarantee the normal operation of wastewater treatment facilities, and ensure that discharged wastewater meets standards, the company has formulated and implements the *Wastewater Pollution Management System*. The system clearly stipulates that the EHS Department manages and supervises wastewater pollution within the company. Specifically, it supervises the operation of wastewater treatment facilities, manages discharged wastewater, investigates abnormalities in wastewater, and promotes departments concerned to rectify problems. Workshops and departments discharge wastewater to transfer pools in water treatment workshops through designated pipelines and equipment.

The EHS Department organizes relevant departments to identify wastewater sources within the company.

It formulates a "wastewater source list" and updates it regularly upon changes. We strictly implement rain and wastewater diversion. All production wastewater is discharged into wastewater treatment facilities in water treatment workshops. Domestic sewage is discharged into municipal sewage pipes through our central sewage outlet after being treated in grease traps or septic tanks. Non-production wastewater such as circulating water from cooling towers, steam condensate, dehumidifier and air conditioner condensate are discharged into domestic sewage pipes. Departments concerned perform wastewater treatment, regularly discharge into water treatment workshops, and record the discharge according to requirements. Sudden wastewater pollution incidents are handled in accordance with procedures specified in the company's *Response Plan for Environmental Emergencies*.

Central industrial base implements indirect discharge option in the Emission Standards of Pollutants for Inorganic Chemical Industry (GB31573-2015) for production wastewater, and class A option in the Water Quality Standard for Sewage Discharged into Urban Sewers (GB/T 31962-2015) for domestic sewage. Its production wastewater and domestic sewage are discharged into wastewater treatment and reuse plants in Ningxiang Economic and Technological Development Zone, which are further discharged into the Weishui River after treating them in accordance with the Hunan Province Standards for Discharging Major Water Pollutants by Urban Sewage Treatment Plants B43/T 1546-2018. Western industrial base discharges production wastewater into central wastewater outlet after the treatment in wastewater treatment plant, which is then pumped into municipal sewage pipes. Wastewater outlets are installed with online monitoring equipment and Parshall cell flow meters to conduct flow statistics and ensure wastewater discharged meet standards.

Amount of water withdrawal, discharge and consumption by CNCR in 2021

Water withdrawal from 2019 to 2021 (unit: megaliter)

| Source | Location | 2019 | 2020 | 2021 |
|----------------------------|-------------------------|-----------|-----------|-----------|
| Surface water | Central industrial base | 0 | 0 | 0 |
| | Western industrial base | 287.497 | 417.396 | 678.372 |
| Municipal water withdrawal | Central industrial base | 1,034.400 | 1,626.195 | 2,559.208 |
| | Western industrial base | 446.068 | 651.753 | 955.350 |
| Subtotal | Central industrial base | 1,034.400 | 1,626.195 | 2,559.208 |
| | Western industrial base | 733.565 | 1,069.149 | 1,633.722 |
| Total | | 1,767.965 | 2,695.344 | 4,192.930 |

Water discharge from 2019 to 2021 (unit: megaliter)

| Item | Entity | 2019 | 2020 | 2021 |
|--|-------------------------|---------|-----------|-----------|
| Discharge to wastewater treatment stations | Central industrial base | 793.177 | 1,246.983 | 1,962.428 |
| | Western industrial base | 31.342 | 130.756 | 747.615 |
| Total | | 824.519 | 1,377.739 | 2,710.043 |

Note: The data of central industrial base in 2019 and 2020 is estimated, while from March 2021, the data is actual measured from online monitoring devices.

Water consumption from 2019 to 2021 (unit: megaliter)

| Item | Entity | 2019 | 2020 | 2021 |
|-------------------------|-------------------------|---------|-----------|-----------|
| Total water consumption | Central industrial base | 214.223 | 379.212 | 596.780 |
| | Western industrial base | 702.223 | 938.393 | 886.107 |
| Total | | 916.446 | 1,317.605 | 1,482.887 |

Note: Water consumption = water withdrawal - water discharge.

Solid waste management

CNGR classifies, monitors, controls and treats solid wastes generated from business operations, industrial processing and sanitary facilities in accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*. We contribute to circular economy and green development by reducing, recycling and reusing solid wastes.

To strengthen whole-process management of solid wastes, ensure proper disposal and reduce impacts on the environment, we have issued the *Solid Waste Pollution Management System*. It covers solid waste classification, collection, storage, transfer and process management, together with the solid wastes generated by related parties. The system stipulates the responsibilities of related departments. In particular, the Safety and Environmental Protection Department supervises solid waste management, monitors hazardous waste warehouses, and entrusts qualified suppliers to transfer and dispose of hazardous wastes.

The Safety and Environmental Protection Department organizes departments concerned to identify solid wastes

generated within the company. It sets up a "solid waste list" and updates it regularly. Solid wastes are divided into hazardous wastes, recyclable wastes, and non-recyclable wastes. They are collected and put into appropriate containers and packages based on standards for non-hazardous and hazardous solid wastes, respectively. Hazardous wastes are recorded on the *Hazardous Waste Storage Ledger* by warehouse managers and transferred into warehouses. Non-recyclable and recyclable wastes are placed in designated locations and transferred to corresponding areas for storage by the General Manager's Office. CNGR formulates an annual hazardous waste management plan at the beginning of each year, reports it to relevant ecological environment authorities for record, and implements requirements in the plan. Our *Response Plan for Environmental Emergencies* clearly stipulates procedures for response to environmental emergencies such as leakage during the collection, internal transfer or storage of hazardous wastes, helping the improvement of solid waste management.

Solid wastes generated by CNGR from 2019 to 2021 (unit: ton)

| Category | 2019 | 2020 | 2021 |
|---------------------------------|-----------|-----------|------------|
| Hazardous wastes | 293.684 | 1,550.168 | 726.206 |
| Non-hazardous industrial wastes | 2,593.287 | 4,309.079 | 13,824.099 |
| Total | 2,886.971 | 5,859.247 | 14,550.305 |

Note: In 2020, due to the commissioning of production lines, production process in western industrial base was unstable and the amount of nickel-containing wastes increased. At the beginning of 2021, measures were taken to reduce the amount of nickel-containing iron slag, which effectively reduced the amount of hazardous wastes.

Solid wastes recycled by CNGR from 2019 to 2021 (unit: ton)

| Category | 2019 | 2020 | 2021 |
|---------------------------------|-----------|-----------|------------|
| Hazardous wastes | 238.012 | 976.561 | 986.329 |
| Non-hazardous industrial wastes | 2,443.524 | 4,508.624 | 13,347.230 |
| Total | 2,681.536 | 5,485.185 | 14,333.559 |



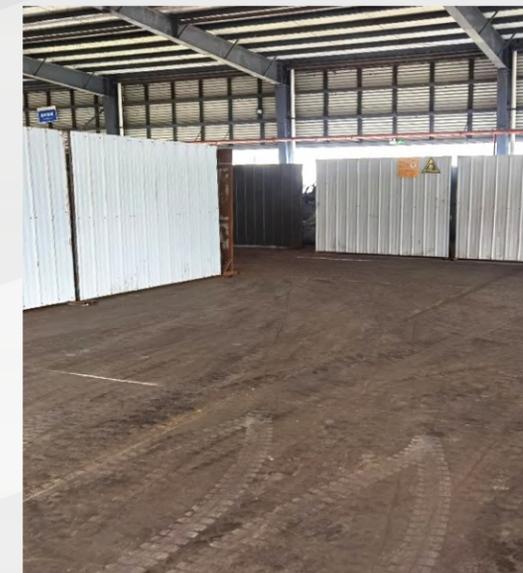
Hazardous waste warehouse identification



Non-hazardous solid waste temporary storage room



Temporary storage of waste oil drums



Separate temporary storage of hazardous wastes



Garbage settling tank

Air pollutant management

We comply with relevant laws and regulations in managing air pollutants, and actively promote various energy-saving and consumption-reducing measures. We design, build and put environmental protection facilities into use simultaneously. All air pollutant outlets are monitored based on pollutant discharge permit for regulated management. In daily operations, we follow the principle of "whoever uses the facility is responsible for its maintenance" to ensure the normal running of environmental protection facilities. We also regularly inspect data to ensure that the air pollutants discharge meet the standard. To improve air pollutant management, each discharge outlet (domestic and production air pollutants) is installed with eye-catching signs that indicate the name of pollutants. In 2021, all air pollutant indicators were 100% reached the standard.

| Plant | Pollutant | Management | Monitoring frequency |
|-------------------------|---|---|----------------------|
| Central Industrial Base | Particulate matter | Discharged after being treated by water curtain-based dust removal towers | Once a quarter |
| | Nickel and its compounds | | |
| | Cobalt and its compounds | | |
| | Manganese and its compounds | | |
| | Sulfuric acid mist | | |
| | HCl | | |
| Western Industrial Base | Ammonia (ammonia gas) | Discharged after being treated by ammonia absorption towers | Automatic monitoring |
| | Particulate matter | Discharged after being treated by water curtain-based dust removal towers | |
| | Nickel and its compounds | | |
| | Cobalt and its compounds | | |
| | Manganese and its compounds | | |
| | Sulfuric acid mist | Discharged after being treated by acid mist absorption towers | |
| | Ammonia (ammonia gas) | Discharged after being treated by ammonia absorption towers | |
| Sulfur dioxide | Discharged after being treated through alkaline desulfurization + bag dust removal + water curtain-based dust removal | | |
| Nitrogen oxides | | | |
| Soot | | | |



CEMS flue gas online monitoring system



Exhaust monitoring by a third-party agency



Water curtain-based dust removal tower



Acid mist absorption tower

Noise management

CNGR complies with requirements in environmental impact assessment and for pollution discharge permit. To ensure that environmental noise at plant boundary meets the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB 12348-2008), we have formulated internal regulations to control noises. We design, build and put into use environmental protection facilities simultaneously. Noise within the plants is managed based on the requirement of pollutant discharge permit and we regularly test relevant data to ensure the discharge meets standards. In 2021, quarterly tests of environmental noises in central and western industrial bases were all in compliance.

In the meanwhile, we take measures to control the identified noise sources in EIA during equipment installation, commissioning and production. Noise absorption and vibration reduction devices are installed to reduce noise from the source and improve work environment. Our plants are sealed all around, and vegetation is planted to reduce the impact of noises on production and operations as well as surrounding environment.

Care for employee development and public welfare



Employee rights

Employees are one of the core driving forces for long-term corporate development and true value creators. CNGR offers a compliant and fair workplace for its employees. We strictly abide by applicable national and local laws and regulations, including the *Labor Law of the People's Republic of China*. We sign labor contracts with employees, create a fair, just development environment, and advocate equality for everyone. Any discrimination against employees based on race, religious belief, age, nationality, sexual orientation, gender, marital status, pregnancy, political affiliation or disability is strictly prohibited. We try to create a diverse and international workforce and ensure fair opportunities for all employees.

Fair employment

We follow the *Recruitment and Deployment Management System* to manage recruitment and improve recruitment efficiency and quality to select outstanding talents. Coordinated by the Human Resources Center, we expand channels to recruit employees through online recruitment, campus recruitment, on-site recruitment, internal recommendation, headhunting companies and industry associations. We match resources in a targeted manner to reserve talents for future development.

We believe in the importance of talent diversity to the company's sustainable development. We strictly follow the principle of fairness, impartiality and openness in recruiting, taking professional skills as the top recruitment criterion. As long as applicants meet the requirements of corresponding positions, they can receive equal interview opportunities.

Prohibition of child labor

We promise not to employ or support the employment of children under 16. When underage workers are employed, we will provide them with special protection. According to the *Recruitment and Deployment Management System*, we investigate the background of candidates and only employ those who provide consistent personal information and match job requirements. The *Code of Conduct of Suppliers* is implemented to strictly regulate suppliers' employment. Their employees must meet the minimum legal age stipulated by local laws. If a supplier is found to employ child labor and fails to make corrections within the time limit, they will be eliminated from qualified supplier list.

Anti-forced labor

We promise not to use or support any form of forced labor. We regulate employment management and comprehensively control labor risks such as bonded labor, use of prison labor, human trafficking, collection of deposits, seizure of documents or property, restriction of personal freedom, deduction or arrears of wages and benefits, forced overtime, and restrictions on resignation. Efforts are made to ensure that all employment relationships are established on a voluntary basis.

Right to free association and collective bargaining

We respect employees' freedom of association and speech, and encourage them to express opinions on matters related to the company's social responsibility. In terms of the reports, suggestions and opinions from employees or their representatives, management representatives or their principals are requested to respond and announce by within 15 working days according to the general manager's opinion. We regularly organize exchanges with employees to discuss the issues that they are concerned about. We respect the rights of all employees to freely form and join trade unions and participate in collective bargaining. We always uphold legal and compliant employment. All employees have signed labor contracts and collective bargaining agreements with the company.

As of the end of the reporting period, no incidents related to forced labor, harassment, abuse, and child labor has been reported.

Employment

CNGR recognizes the importance of workplace diversity and is committed to building an inclusive and diverse workforce. As of the end of the reporting period, the headquarter and our industrial bases have a total of 5,662 employees. There are 2,127 ethnic minorities and foreign employees, accounting for 37.57%, and the rest are Han ethnic employees. Regarding age, 2,158 employees are under 30 (38.11%), 3,306 are between 30 and 50 (58.39%), and 198 are over 50 (3.50%).

Number of CNGR employees from 2019 to 2021

| | 2019 | 2020 | 2021 | |
|---|---|-------|-------|-------|
| Total | 2,342 | 2,974 | 5,662 | |
| Gender structure | Male employees | 1,764 | 2,215 | 4,080 |
| | Female employees | 578 | 759 | 1,582 |
| Ethnic structure | Han ethnic employees | 1,524 | 1,926 | 3,535 |
| | Ethnic minorities and foreign employees | 818 | 1,048 | 2,127 |
| Age structure | Under 30 | 648 | 989 | 2,158 |
| | Between 30 and 50 | 1,530 | 1,831 | 3,306 |
| | Over 50 | 164 | 154 | 198 |
| Total number of governing body members | | | | |
| | 12 | 13 | 15 | |
| Gender structure | Male employees | 10 | 11 | 13 |
| | Female employees | 2 | 2 | 2 |
| Ethnic structure | Han ethnic employees | 12 | 13 | 15 |
| | Ethnic minorities | 0 | 0 | 0 |
| Age structure | Under 30 | 0 | 0 | 0 |
| | Between 30 and 50 | 9 | 9 | 11 |
| | Over 50 | 3 | 4 | 4 |

Note: 1. Definition of governing body: senior executives at level 7 and above.

Employment situation of CNCR from 2019 to 2021

| Indicator | Item | 2019 | 2020 | 2021 |
|--------------------------------------|-------------------|--------|-------|-------|
| Number of new employees by gender | Male employees | 1,967 | 1,748 | 3,990 |
| | Female employees | 573 | 476 | 1,390 |
| Number of new employees by age group | Under 30 | 715 | 902 | 2,457 |
| | Between 30 and 50 | 1,660 | 1,265 | 2,874 |
| | Over 50 | 165 | 57 | 49 |
| Employment rate | | 108.5% | 74.8% | 95.0% |

Note: Employment rate = number of new employees during the reporting period / (number of employees at the end of the reporting period + number of employees that resigned during the reporting period).

Employee benefits and care

To boost employees' enthusiasm and increase their sense of identity and belonging, we have formulated and implements the *Welfare Management System*. Employees who have signed labor contracts or retirement re-employment contracts with CNCR, its branches and subsidiaries are entitled to the following benefits:



Health

hospitalization allowances, physical examination



Life

maternity gifts, wedding cash gifts, funeral cash gifts, commuting benefits, catering benefits



Holidays

Gifts for Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, March 8th Women's Day



Insurances

Commercial insurance, social security insurance, disability insurance, critical illness insurance



Learning

Cash gifts for further studies

CNCR attaches great importance to the rights and interests of female employees. In addition to legal benefits that they should have, we give special care to them during pregnancy, childbirth and breastfeeding. We fully protect their legal rights and benefits.

Parental leave taken by employees in 2021

| Categories | Male employees | Female employees |
|---|----------------|------------------|
| Total number of employees entitled to parental leave in 2021 | 4,080 | 1,582 |
| Total number of employees on parental leave in 2021 | 101 | 46 |
| Total number of employees who should return to work after parental leave in 2021 | 101 | 46 |
| Total number of employees having returned to work after parental leave in 2021 | 101 | 46 |
| Return rate | 100% | 100% |
| The total number of returning employees who are still employed at the end of the reporting period | 94 | 43 |
| Retention rate | 93.31% | 93.48% |

Notes: 1. Return rate = total number of male (female) employees who have returned to work after parental leave ends / total number of male (female) employees who should return to work after parental leave ends * 100%;
2. Retention rate = total number of male (female) employees who are still employed at the end of the reporting period/total number of male (female) employees who have returned to work after parental leave during the reporting period * 100%.

The company strives to provide a people-oriented work environment. We organize various employee activities and advocate work-life balance so that employees can work efficiently, live happily and feel our care for them.



Care for Female Employees - CNCR celebrated the International Women's Day

To celebrate the International Women's Day, we held special activities for female employees, encouraging them to work and live with passion.





Lectures on female health

In 2021, we held lectures to care for female employees' physical and mental health and enhance their confidence. The lectures popularized knowledge about female physical health, and improved their awareness of preventing breast and cervical cancers. They helped female employees live and work positively for a healthy mind in a healthy body.



Supplies for a cool and refreshing summer in 2021

As summer approached, we sent supplies to all employees working hard at high temperatures. Based on local weather, we reasonably arranged work time and provided enough drinking water and medicines. This helped protect the safety and health of employees at high temperatures.



“Blooming Youth” 3v3 basketball game

To encourage sports culture within the company, we held the “Blooming Youth” 3v3 basketball game in the basketball hall of central industrial base in April 2021.



“Forge ahead Baldly” debate competition

On May 14, 2021, we held the “Forge ahead Baldly” debate competition. The competition was intense and both sides debated eloquently. The contestants practiced their dialectical ability, improved their speed of thinking, reaction and language skills. They fully displayed teamwork and showed the spirit of CNGR.



Employee development

CNCR always follows the philosophy of "attracting employees with career growth, improving them in practices, and helping them succeed". We offer employees a safe and healthy work environment, various skills trainings and smooth promotion channels to boost their career growth.

Employee training

Organized training sessions in total

1,159

Training hours in total

42,611

Training opportunities in total

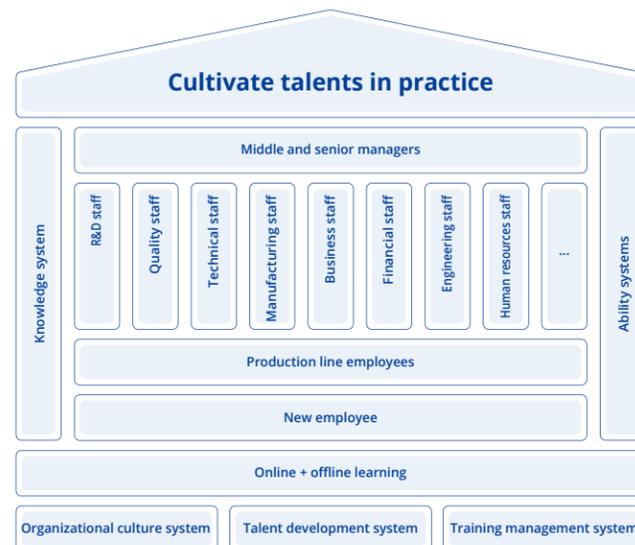
14,328

Employees are the cornerstone of a company's sustainable development. CNCR emphasizes the value of employees. While protecting their rights and interests, we build a platform for their broad development. We have a hierarchical training system formulated based on business strategies and planning, including new employee training, departmental business training, skills training, certification training, job rotation training, academic education, and professional manager training. They help us cultivate professionals to support the company's rapid and continuous development. In 2021, CNCR launched 1,159 training sessions for a total of 42,611 hours, which offered 14,328 training opportunities.

Staff training and performance evaluation in 2021

| | Average training hours per employee per year | Percentage of employees having received regular performance and career development evaluation |
|-------------------------|--|---|
| Central industrial base | 10.34 | 100% |
| Western industrial base | 10.80 | 100% |
| Headquarter | 7.24 | 100% |

Note: Average training hours per employee = total training hours provided/total number of employees



CNCR employee development system

While focusing on employee development, we actively improve employee retention rate. To this end, we formulated an 8D report in 2021, which includes form the team, describe the problem, contain the problem, identify the root cause, formulate and verify corrective actions, prevent the problem, and congratulate the team. We had interviews with employees to understand the real reasons for their resignation. We also adjusted the category of reasons for resignation in EHR system, and required HR departments of all entities to enter the real reason of employee resignation into the system. Based on employee opinions, we improved HR policy and management system to promote sound corporate development.

The company conducts employee satisfaction surveys at least once a year. In 2021, we surveyed all employees on work environment, logistical support, communication, salary and welfare, personal development (promotion), corporate culture, career planning, etc. By the end of the reporting period, 3,971 valid questionnaires had been collected. The overall participation rate was 67% and our employee satisfaction rate was 87.2%.



Young hawk training camp for new employees recruited from universities

In 2021, CNCR customized a training program for new employees recruited from universities. The 9-day training camp included quality development, military training, theoretical courses and team activities. It helped the new employees rapidly transit their identity from students to employees.



Leadership training for the management

We value the improvement of employees' management and leadership skills. To this end, we held the "Organizational and Personnel Management Promotes Business Success" training in 2021. Special courses on management were offered. The training improved our organizational construction and enhanced employees' management skills.





Cultivation of lecturers

In 2021, we started to cultivate internal lecturers through empowerment training program. The program improves the course development ability of lecturers. Three sessions of training have been held, which were attended by over 100 lecturers in the company. They launched nearly 80 standardized courses and over 70 lecturers have been certified.



Cultivation of backup team leaders

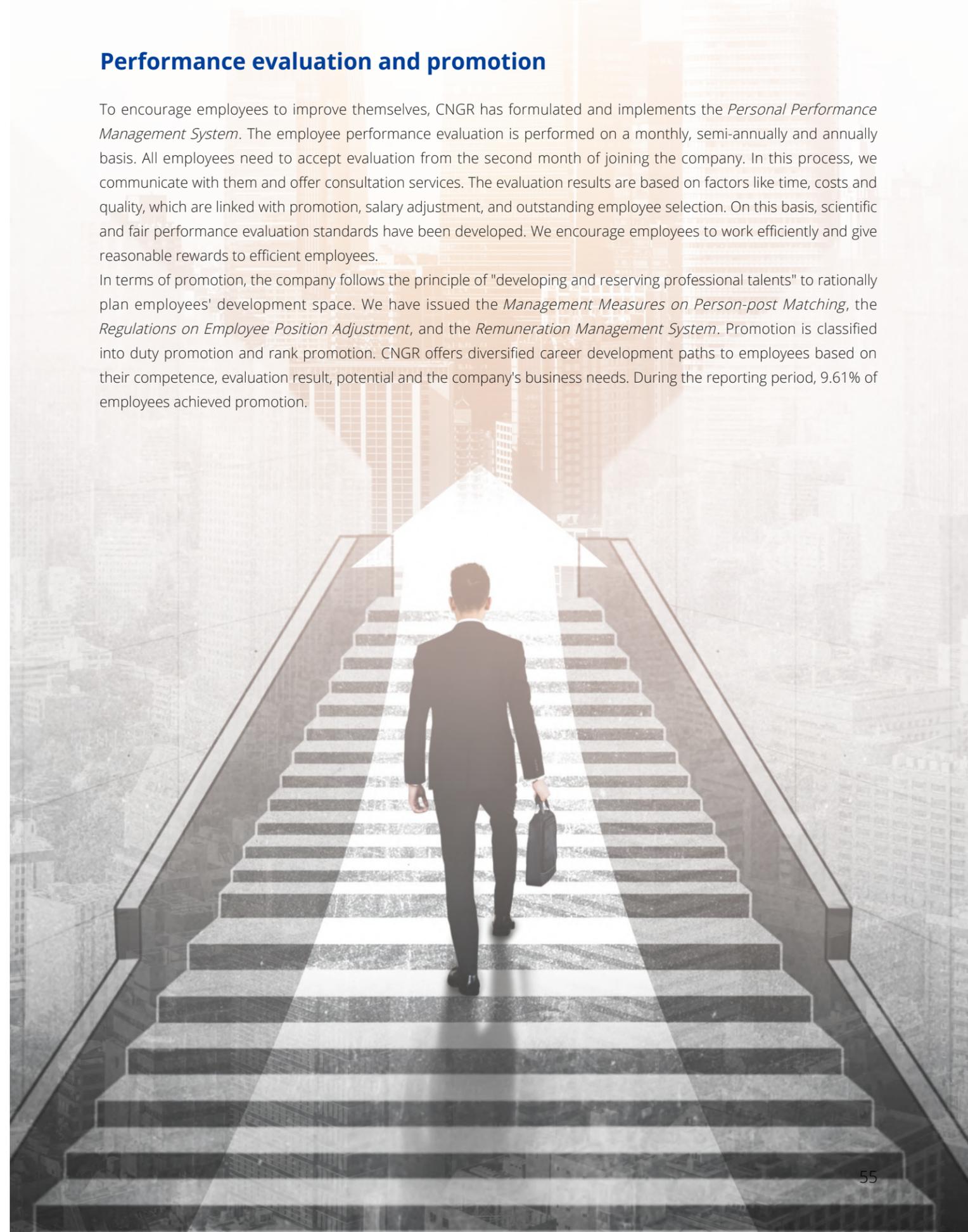
We introduce team management training courses from consulting companies and offer empowerment training for backup team leaders, aiming to enhance their management awareness and competence. In 2021, totally 254 training opportunities were offered.



Performance evaluation and promotion

To encourage employees to improve themselves, CNGR has formulated and implements the *Personal Performance Management System*. The employee performance evaluation is performed on a monthly, semi-annually and annually basis. All employees need to accept evaluation from the second month of joining the company. In this process, we communicate with them and offer consultation services. The evaluation results are based on factors like time, costs and quality, which are linked with promotion, salary adjustment, and outstanding employee selection. On this basis, scientific and fair performance evaluation standards have been developed. We encourage employees to work efficiently and give reasonable rewards to efficient employees.

In terms of promotion, the company follows the principle of "developing and reserving professional talents" to rationally plan employees' development space. We have issued the *Management Measures on Person-post Matching*, the *Regulations on Employee Position Adjustment*, and the *Remuneration Management System*. Promotion is classified into duty promotion and rank promotion. CNGR offers diversified career development paths to employees based on their competence, evaluation result, potential and the company's business needs. During the reporting period, 9.61% of employees achieved promotion.



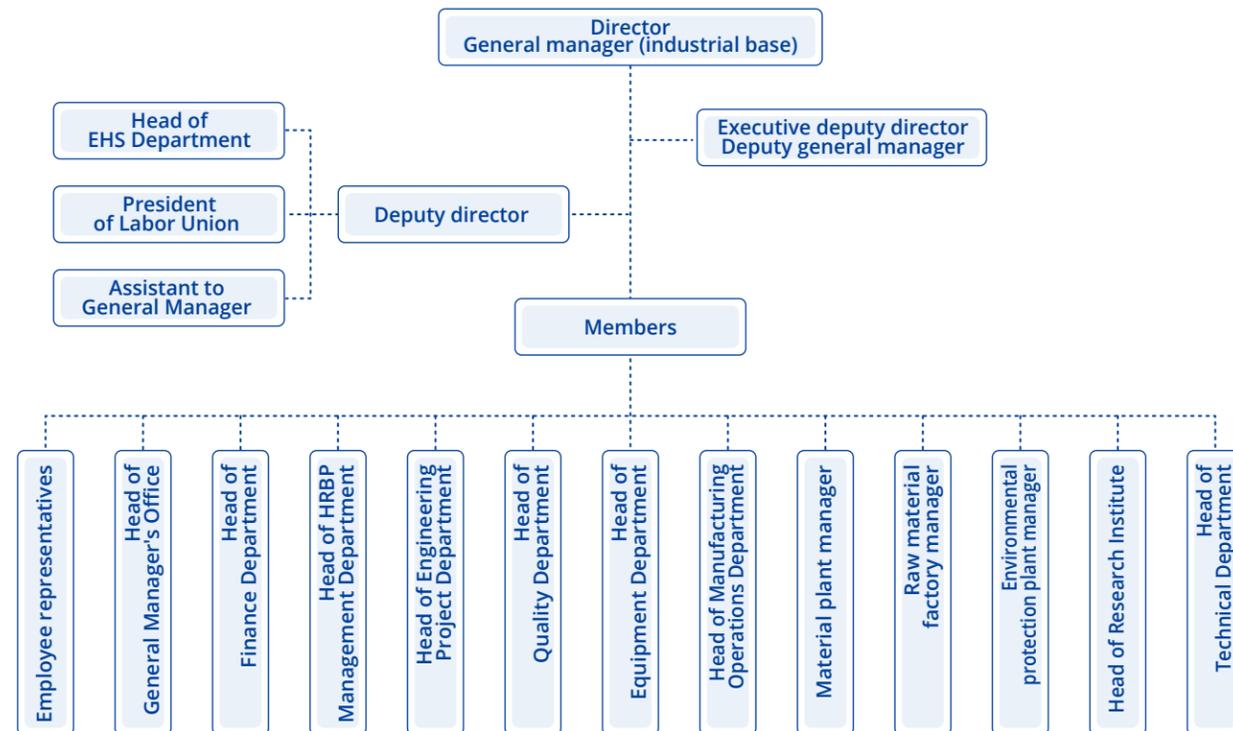
Health and safety

We attach great importance to the occupational health and safety of employees. A safe and healthy work environment is the most fundamental guarantee for them.

Management system operation

To better enhance employee health and safety management, CNGR has established Occupational Health and Safety Management Committee. Its director is undertaken by the company's general manager and members are heads of departments, including 16 employee representatives. CNGR comprehensively implements the *Safe Production Law*, the *Occupational Health Prevention and Control Law* and so on. We have passed certification for occupational health and safety management system and developed systems about occupational injury management, safety and environmental protection training management, occupational disease prevention responsibility and occupational hazard report. By setting up and implementing related systems, improving employees' skills, promoting employees' safety awareness, checking potential hazards and making continuous improvements, we promote the effective operation of systems, protects employees' health and safety, and create a safe and comfortable work environment.

In 2021, we increased the investment in occupational health and safety. We eliminated potential safety hazards, organized physical examination for employees, distributed personal protective equipment, detected occupational hazards in workplaces, offered fire emergency equipment, conducted compliance evaluation, and performed lightning detection. We regularly evaluate occupational disease risks, organize employees to accept occupational health examination, and make employee occupational sanitation and health records.



Organizational structure of Safety, Environmental Protection and Occupational Health Committee

We always take the health and safety of employees and other stakeholders as our top priority, committed to minimizing risks. In 2021, no fatal accidents occurred. Our occupational health and safety performance is presented as follows:

Occupational health and safety performance in 2021

| | | |
|--|------------|--------|
| Deaths due to occupational injuries | Number | 0 |
| | Proportion | 0 |
| Serious consequences due to occupational injuries | Number | 0 |
| | Proportion | 0 |
| Recordable occupational injuries (based on 200,000 work hours) | Number | 41 |
| | Proportion | 0.72 |
| Occupational diseases | | 0 case |

Note: 1. The data cover all employees;

2. Proportion of recordable occupational injuries = number of recordable occupational injuries x 200,000/work hours.

Risk identification and management

In 2021, the EHS Department checked sources of danger in all production positions and identified 5,028 items and On-site control measures have been formulated for each source. Through daily, special, pre-holiday, monthly and seasonal safety risk investigations, employees at all levels learned about rectification measures for various hidden hazards. The investigation identified 2,456 hidden hazards, all of which have been rectified.

Emergency management

All industrial bases actively fulfill their responsibilities for safe production. There is a safe production responsibility system, with the general manager as the first responsible person and heads at all levels as the first responsible person for their responsible area. CNGR has set up Safety and Environmental Protection Office, Emergency Response Office, promoting emergency prevention based on hierarchical risk control and hidden hazard management according to the characteristics of the new energy industry. We also strengthen team-based risk identification and control as well as emergency drills to ensure employees' safety and health.

In response to emergencies, we have entrusted a third party to prepare the *Emergency Plan for Production Accidents* according to the *Production Safety Law* and

other related laws and regulations, which is linked with the emergency plans issued by local government. Besides, we formulate on-site emergency response plans for fire, limited space, chemical leakage, and holds emergency drills regularly to minimize casualties and property loss.

We hire retired firefighters to form our fire response teams. In 2021, a total of 51 emergency drills were held in industrial bases. There are emergency supplies cabinets at each accident risk point. Breathing apparatus, protective suits, protective masks, rescue stretchers, AED and other emergency rescue equipment are available and managed by special personnel. In addition, we set up emergency supplies warehouse to stores all kinds of emergency supplies, ensuring the needs when accident happens.



Fire drills

Fire drills were held in 2021 for personnel concerned to get familiar with emergency response through simulation training. They improved employees' precaution awareness and emergency response skills, and offered valuable experience for possible real emergencies.



Chemical leakage response drills

The drills enabled employees to learn response procedures and how to use emergency supplies (sandbags, airbags) during chemical leakage, so that they could calmly protect themselves in case of emergencies. We constantly improve employees' emergency response skills. The drills can not only check the result of emergency education, but also verify the feasibility of emergency response plans to improve future drills.



Training on safety

Total training opportunities on safety for new employees in 2021

7,183

CNGR offers a range of occupational safety training to employees. It covers occupational disease prevention and control, occupational health, traffic safety, safe operations in confined space, inspection and maintenance safety, safety awareness, case analysis, knowledge about dangerous chemicals, emergency response measures, safety training for Equipment Department and workshop managers, hazardous wastes, and emergency response. During the reporting period, central industrial base held 111 safety training sessions for new employees, with 2,787 training opportunities offered, while the numbers for western industrial base were 221 safety training sessions and 4,396 training opportunities, respectively.



"Safe Production Month" knowledge contest

To increase safety awareness within the company, we launched 2021 Safe Production Month activities. All employees in workshops participated in safety declaration, paper examination and knowledge contests.



"Three-year Action" knowledge contest

We held the "Three-year Action" knowledge contest to popularize knowledge about safe production and contribute to a safe work environment in workshops. We mobilized employees to attend the contest, investigated safety risks, rectified problems found, and enhanced employees' safety awareness.





Training on occupational diseases (occupational contraindications)

In 2021, we invited professional lecturers in occupational health to give training to our employees on occupational diseases.



COVID-19 pandemic prevention and control

To curb the spread of the COVID-19 pandemic and protect our employees, the company actively fulfills its corporate social responsibility and implements various measures according to the government's epidemic prevention policies. A sound organizational structure for pandemic prevention and control and an emergency reporting process have been established.

We designate special personnel to take charge of pandemic prevention and control. Access control is executed. Employees need to show their health code, travel code and have their temperature checked before entering the company. To control potential risks within a tolerable range and reduce business risks caused by the pandemic, we prepared sufficient supplies, including disposable medical masks, disinfectants, hand sanitizers, alcohol, and disposable medical protective suits. In addition, we actively responded to the government's call and encouraged employees to get vaccinated. For the convenience of employees and related parties, we invited the local health center to offer vaccination services in the company. By the end of 2021, all employees eligible for vaccination have been vaccinated and more than 1,200 employees have received booster shots.



Giving back to society

While seeking continuous development, CNCR is well aware of its social responsibilities. We actively participate in charity and public welfare activities. We share our resources with society, and make due contributions to improving people's livelihood and building a harmonious society.



Engaged in public welfare to give back to society

On September 3, 2021, the ceremony of CNCR donating 1 million CNY to Tongren Charity Association was held in Tongren Municipal Civil Affairs Bureau. It included 200,000 CNY for Veteran Care Fund of Tongren Municipal Veteran Affairs Bureau, 300,000 CNY for Brave Act for Justice Fund of Tongren Municipal Political and Legal Committee, and 500,000 CNY for student subsidies initiated by Tongren Municipal Education Bureau. Wang Gangxiang awarded the plaque of "Caring Enterprise" to CNCR on behalf of Tongren Municipal People's Government and a student subsidy granting ceremony was also held during the event.



Benevolent actions bring harmony and spread virtue. As a growing enterprise, CNCR has been actively shouldering its social responsibilities. In the future, we will not only provide help for retired soldiers, heroes acting bravely for justice and students in need, but also contribute more to vulnerable groups, giving back to our country with practical actions.



Sent warm greetings before the Spring Festival

Before the Spring Festival, Secretary of the CPC CNCR Committee Yuan Xun, President of CNCR Labor Union Li Bo, and Director of CNCR General Manager's Office Luo Dandan visited Shuangqiao Village and Kanghua Poverty Relief Relocation Zone in Yuping County with red envelopes, and sent warm greetings to relocated people. They were led by Yang He, member of the Standing Committee of Yuping County CPC Committee and Director of Yuping County United Front Work Department, Han Jianguo, member and Deputy Director of the CPC Working Committee of Yuping County Economic Development Zone and Director of Yuping County Poverty Relief Office, and members of the Pingxi Subdistrict Office.



CNCR leaders visited registered poor families, learned about their health status, financial condition and children's schooling, and sent warm new year greetings to them. According to Yuan Xun, CNCR will take more practical actions to send warmth and love to society. He hopes this activity could encourage more local enterprises and caring people to participate in local public welfare undertakings, contribute to local development, and deliver more care and love.



Sent warm wishes on International Children's Day

Children are the future and hope of our country. CNGR is greatly concerned about children's physical and mental health and strive to care for their growth within our capacity. To celebrate the International Children's Day and let children spend the festival happily, we sent school bags and stationery worthy of over tens of thousands CNY to 400 children.



Received students visit from Mingde College

On December 9, 2021, students from Mingde College, Guizhou University visited CNGR's industrial base. Our staff introduced the company's industrial distribution, achievements and prospects in new energy and resource recycling. The visit stimulated students' interest in innovation, environmental protection, climate change, and broadened their horizons. We hope to attract more young people to engage in sustainable development via this kind of activities.



Bureau Veritas Certification

BUREAU VERITAS VERIFICATION STATEMENT

Objectives of work

BUREAU VERITAS Certification (Beijing) Co. Ltd. was entrusted by CNGR to perform third-party verification on the 2021 environmental, social and Governance (ESG) report of CNGR. All information in the report was provided by CNGR, and the verifier did not participate in the report preparation process. The responsibility of the verifier is to provide an independent verification statement for the accuracy of the information disclosed in the report based on the review of the information collection, analysis and management process of the report.

Scope of work

- Verify the accuracy of the data, information and management support system of the report within the disclosure period (2021.1.1-2021.12.31).
- The remote verification objects are the headquarters of CNGR (also serving as the western industrial base) and the central industrial base (Ningxiang, Changsha). During the verification process, the verifier interviewed the relevant management departments of CNGR remotely, excluding other places and stakeholders.

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Statement on the position, mission, goal, future intention and commitment of CNGR;
- Financial data and information through third-party financial audit.

Methodology

As part of its independent verification, Bureau Veritas undertook the following activities:

1. Interviews with relevant personnel of CNGR;
2. Review of documentary evidence produced by CNGR;
3. Audit of performance data;
4. Review of [CNGR] systems for data & information aggregation and management;

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Verification of Sustainability Reports, based on current best practice in independent assurance. For this assignment, we have used AA1000AS Version3 and ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", developed by the International Federation of Accountants.

The work was planned and carried out to provide limited, rather than absolute assurance and we believe it provides an appropriate basis for our conclusions.

Our findings

On the basis of our methodology and the activities described above:

- Through remote verification, the information and data in the environmental, social and Governance (ESG) report of CNGR in 2021 are objective and reliable, and the verifiers have not found any systematic or substantive errors that have a significant impact on the ESG report;
- During the verification, the verifier found that CNGR shares had opportunities to improve and perfect the ESG management. See the "improvement suggestions" below for specific suggestions.

Appendices

Index tables

GRI Standards Index

| GRI Standard | Disclosure | Page number(s) | Omission |
|----------------------------|---|----------------|----------|
| General Disclosures | | | |
| Organizational profile | Disclosure 102-1 Name of the organization | 02 | |
| | Disclosure 102-2 Activities, brands, products, and services | 07 | |
| | Disclosure 102-3 Location of headquarters | 02 | |
| | Disclosure 102-4 Location of operations | 09 | |
| | Disclosure 102-5 Ownership and legal form | 07 | |
| | Disclosure 102-6 Markets served | 09 | |
| | Disclosure 102-7 Scale of the organization | 09 | |
| | Disclosure 102-8 Information on employees and other workers | 47 | |
| | Disclosure 102-9 Supply chain | 27 | |
| | Disclosure 102-10 Significant changes to the organization and its supply chain | 08 | |
| | Disclosure 102-11 Precautionary Principle or approach | 20 | |
| | Disclosure 102-12 External initiatives | 12 | |
| | Disclosure 102-13 Membership of associations | 12 | |
| Strategy | Disclosure 102-14 Statement from senior decision-maker | 04 | |
| | Disclosure 102-15 Key impacts, risks, and opportunities | 20 | |
| Ethics and integrity | Disclosure 102-16 Values, principles, standards, and norms of behavior | 10 | |
| | Disclosure 102-17 Mechanisms for advice and concerns about ethics | 20 | |
| Governance | Disclosure 102-18 Governance structure | 18 | |
| | Disclosure 102-19 Delegating authority | 13 | |
| | Disclosure 102-20 Executive-level responsibility for economic, environmental, and social topics | 13 | |
| | Disclosure 102-21 Consulting stakeholders on economic, environmental, and social topics | 15 | |
| | Disclosure 102-22 Composition of the highest governance body and its committees | 18 | |
| | Disclosure 102-26 Role of highest governance body in setting purpose, values, and strategy | 13 | |
| | Disclosure 102-29 Identifying and managing economic, environmental, and social impacts | 13 | |
| | Disclosure 102-31 Review of economic, environmental, and social topics | 13 | |
| | Disclosure 102-32 Highest governance body's role in sustainability reporting | 13 | |
| | Disclosure 102-40 List of stakeholder groups | 15 | |
| Stakeholder engagement | Disclosure 102-41 Collective bargaining agreements | 47 | |
| | Disclosure 102-42 Identifying and selecting stakeholders | 15 | |
| | Disclosure 102-43 Approach to stakeholder engagement | 15 | |
| | Disclosure 102-44 Key topics and concerns raised | 15 | |



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Specific suggestions

Through verification and evaluation activities, CNGR shares have the following opportunities for improvement in ESG Management:

It was suggested that the company further explore and improve its own carbon emission reduction targets and Implementation Paths.

It was suggested to further improve the appropriate system for collecting, summarizing and analyzing relevant information and internal review.

Statement of independence, impartiality and competence

Bureau Veritas is an organization with a history of more than 190 years, which provides independent verification services in the fields of quality, environment, occupational health and safety and social responsibility. The members of the verification team have no interest or conflict relationship with the entrusting party CNGR, and the verification activities are independent and impartial.

Fengxian Zou
Director of China
Bureau Veritas Certification Department
2022-04-21

Pin Tian
Validation team leader
Bureau Veritas Certification Department
2022-04-21

| GRI Standard | Disclosure | Page number(s) | Omission |
|--------------------------------------|--|----------------|----------|
| Reporting practice | Disclosure 102-45 Entities included in the consolidated financial statements | 02 | |
| | Disclosure 102-46 Defining report content and topic Boundaries | 02 | |
| | Disclosure 102-47 List of material topics | 16 | |
| | Disclosure 102-48 Restatements of information | - | None |
| | Disclosure 102-49 Changes in reporting | 16 | |
| | Disclosure 102-50 Reporting period | 02 | |
| | Disclosure 102-51 Date of most recent report | 02 | |
| | Disclosure 102-52 Reporting cycle | 02 | |
| | Disclosure 102-53 Contact point for questions regarding the report | 03 | |
| | Disclosure 102-54 Claims of reporting in accordance with the GRI Standards | 03 | |
| | Disclosure 102-55 GRI content index | 65 | |
| Disclosure 102-56 External assurance | 63 | | |
| Material topics | | | |
| Economic Performance 2016 | Disclosure 201-1 Direct economic value generated and distributed | 06 | |
| | Disclosure 201-2 Financial implications and other risks and opportunities due to climate change | 31 | |
| Procurement Practices 2016 | GRI 103: Management Approach | 27 | |
| | GRI 103: Management Approach | 20 | |
| Anti-corruption 2016 | Disclosure 205-1 Operations assessed for risks related to corruption | 21 | |
| | Disclosure 205-2 Communication and training about anti-corruption policies and procedures | 21 | |
| | Disclosure 205-3 Confirmed incidents of corruption and actions taken | 21 | |
| Anti-competitive Behavior 2016 | GRI 103: Management Approach | 20 | |
| | Disclosure 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 21 | |
| Materials 2016 | GRI 103: Management Approach | 25, 33 | |
| | Disclosure 301-2 Recycled input materials used | 33 | |
| Energy 2016 | GRI 103: Management Approach | 36 | |
| | Disclosure 302-1 Energy consumption within the organization | 36 | |
| | Disclosure 302-3 Energy intensity | 36 | |
| | Disclosure 302-4 Reduction of energy consumption | 37 | |
| | GRI 103: Management Approach | 38 | |
| | Disclosure 303-1 Interactions with water as a shared resource | 38 | |
| Water and Effluents 2018 | Disclosure 303-2 Management of water discharge-related impacts | 40 | |
| | Disclosure 303-3 Water withdrawal | 41 | |
| | Disclosure 303-4 Water discharge | 41 | |
| | Disclosure 303-5 Water consumption | 41 | |
| | GRI 103: Management Approach | 30 | |
| Emissions 2016 | Disclosure 305-1 Direct (Scope 1) GHG emissions | 31 | |
| | Disclosure 305-2 Energy indirect (Scope 2) GHG emissions | 31 | |
| | Disclosure 305-4 GHG emissions intensity | 31 | |
| Waste 2020 | GRI 103: Management Approach | 42 | |
| | Disclosure 306-1 Waste generation and significant waste-related impacts | 42 | |
| | Disclosure 306-2 Management of significant waste-related impacts | 42 | |
| | Disclosure 306-3 Waste generated | 43 | |
| | Disclosure 306-4 Waste diverted from disposal | 43 | |
| | Disclosure 306-5 Waste directed to disposal | 43 | |

| GRI Standard | Disclosure | Page number(s) | Omission |
|---|---|----------------|----------|
| Environmental Compliance 2016 | GRI 103: Management Approach | 34 | |
| | Disclosure 307-1 Non-compliance with environmental laws and regulations | 34 | |
| Supplier Environmental Assessment 2016 | GRI 103: Management Approach | 27 | |
| | Disclosure 308-1 New suppliers that were screened using environmental criteria | 27 | |
| | Disclosure 308-2 Negative environmental impacts in the supply chain and actions taken | 27 | |
| Employment 2016 | GRI 103: Management Approach | 47 | |
| | Disclosure 401-1 New employee hires and employee turnover | 48 | |
| | Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 48 | |
| | Disclosure 401-3 Parental leave | 49 | |
| Labor/Management Relations 2016 | GRI 103: Management Approach | 46 | |
| | GRI 103: Management Approach | 56 | |
| | Disclosure 403-1 Occupational health and safety management system | 56 | |
| | Disclosure 403-2 Hazard identification, risk assessment, and incident investigation | 57 | |
| | Disclosure 403-3 Occupational health services | 56 | |
| | Disclosure 403-4 Worker participation, consultation, and communication on occupational health and safety | 56 | |
| | Disclosure 403-5 Worker training on occupational health and safety | 59 | |
| | Disclosure 403-9 Work-related injuries | 57 | |
| | Disclosure 403-10 Work-related ill health | 57 | |
| | GRI 103: Management Approach | 52 | |
| Training and Education 2016 | Disclosure 404-1 Average hours of training per year per employee | 52 | |
| | Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews | 52 | |
| Diversity and Equal Opportunity 2016 | GRI 103: Management Approach | 47 | |
| | Disclosure 405-1 Diversity of governance bodies and employees | 47 | |
| Non-discrimination 2016 | GRI 103: Management Approach | 46 | |
| | Disclosure 406-1 Incidents of discrimination and corrective actions taken | 46 | |
| Freedom of Association and Collective Bargaining 2016 | GRI 103: Management Approach | 47 | |
| | Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 47 | |
| Child Labor 2016 | GRI 103: Management Approach | 46 | |
| | Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor | 47 | |
| Forced or Compulsory Labor 2016 | GRI 103: Management Approach | 46 | |
| | Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 47 | |
| Human Rights Assessment 2016 | GRI 103: Management Approach | 46 | |
| | Disclosure 412-1 Operations that have been subject to human rights reviews or impact assessments | 14, 46 | |
| | GRI 103: Management Approach | 27 | |
| Supplier Social Assessment 2016 | Disclosure 414-1 New suppliers that were screened using social criteria | 27 | |
| | Disclosure 414-2 Negative social impacts in the supply chain and actions taken | 27 | |
| Customer Health and Safety 2016 | GRI 103: Management Approach | 26 | |
| | Disclosure 416-1 Assessment of the health and safety impacts of product and service categories | 26 | |
| | Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 26 | |

| GRI Standard | Disclosure | Page number(s) | Omission |
|-------------------------------|---|----------------|----------|
| Customer Privacy 2016 | GRI 103: Management Approach Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 27 | |
| Socioeconomic Compliance 2016 | GRI 103: Management Approach Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area | 19 | |

UN SDGs 2030 Index

| UN Sustainable Development Goals (UN SDGs) | Pages |
|--|------------|
| 1 No Poverty | 61 |
| 2 Zero Hunger | - |
| 3 Good Health and Well-being | 56 |
| 4 Quality Education | 52 |
| 5 Gender Equality | 19, 46 |
| 6 Clean Water and Sanitation | 38 |
| 7 Affordable and Clean Energy | 32 |
| 8 Decent Work and Economic Growth | 06, 48 |
| 9 Industry, Innovation and Infrastructure | 22 |
| 10 Reduced Inequalities | 46 |
| 11 Sustainable Cities and Communities | 32 |
| 12 Responsible Consumption and Production | 27, 32, 33 |
| 13 Climate Action | 31 |
| 14 Life Below Water | - |
| 15 Life on Land | - |
| 16 Peace, Justice and Strong Institutions | 20 |
| 17 Partnerships | 27, 32, 33 |

Reader feedback

Dear reader,

Thank you for reading this report!

This is the first ESG report of CNCR. We sincerely look forward to your valuable comments and suggestions, and will be very happy to adopt them so as to make improvements. Please answer the following questions to give us feedback:

1. What is your overall assessment of this report?

2. What do you think of the quality of information disclosed herein?

3. What part of the report are you most interested in?

4. What else do you need to know that is not disclosed in this report?

5. Do you have any suggestions for our future ESG, sustainable development work or ESG report?

Please leave your personal information if you wish, so that we can timely respond to your comments and suggestions:

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Employer:

Phone number:

E-mail:

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