

## 2021 Annual Mineral Supply Chain Due Diligence Management Report

### Background

In 2021, global sales of new energy vehicles will grow against the tendency, and the trend of electrification will continue to strengthen. New energy "circle of friends" enterprises ride on this share of the wind, generally get rapid development. The performance of enterprises in terms of social responsibility is also getting more and more attention from all walks of life. Mineral supply chain due diligence management, as an important part of corporate social responsibility, requires the joint attention of enterprises in all parts of the supply chain to promote development. To this end, CNGR has formulated the **Mineral Supply Chain Due Diligence Management Policy** and the **Supplier Code of Conduct**, and has established a due diligence management system and implemented them practically according to the five-step framework of the **OECD Guidelines** and the **China Guidelines**.

### Corporate Information

1.

**Company Name:** CNGR New Advanced Material Co.,Ltd.

**Company Location:** The intersection of No.1 main road and No.2 main road in Dalong Economic Development Zone, Tongren City, Guizhou Province

**Raw materials used:** cobalt sulfate, nickel sulfate

2.

**Company Name:** Hunan Zoomwe New Energy Science&Technology Co., Ltd.

**CID No:** CID003411

**Company Location:** No.1 Tanjin Road, Changxing Village, Ningxiang Economic and Technological Development Zone

**Raw Material used:** Cobalt sulfate, cobalt chloride, nickel sulfate

**RMAP (Cobalt) :**

**Last evaluation date:** April 12th-13th, 2021

**Assessment interval:** December 1, 2019 - March 31, 2021

**Evaluation Summary Report Website:**

<http://www.responsiblemineralsinitiative.org/cobalt-refiners-list/>

3.

**Company Name:** GuiZhou CNGR Resource Recycling Industry Development Co.,LTD

**CID No:** CID003610

**Company Location:** Intersection of Trunk Road No.1 and Trunk Road No.2, Dalong Economic Development Zone, Tongren City, Guizhou Province

**Raw Material used:** Cobalt hydroxide, nickel hydroxide

**RMAP (Cobalt) :**

**Last evaluation date:** April 15, 2021

**Assessment interval:** April 1, 2020 - March 31, 2021

### **Mineral Supply Chain Due Diligence Management Policy**

CNGR has established *the Due Diligence Management Policy* for Responsible Global Mineral Supply Chain and *the Supplier Code of Conduct*, which are published on the official website.

**Policy link:** <http://www.cnrgf.com.cn/shzr.html>

### **Mineral Supply Chain Due Diligence Management Standard**

CNGR follows the following standards for implementing due diligence management of the mineral supply chain

- ***OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Regions*** (Version 3) - **OECD Guidance**
- ***China Due Diligence Management Guide for Responsible Mineral Supply Chains*** (2nd Edition) - **China Guide**
- ***Due Diligence Management Standard for Cobalt Smelters 2.0***
- ***The UN Guiding Principles on Business and Human Rights***
- ***Practical Actions for Businesses to Identify and Address the Worst Forms of Child Labor in Mineral Supply Chains***
- ***The Joint Due Diligence Standard***
- ***The Full Metal Due Diligence Standard***

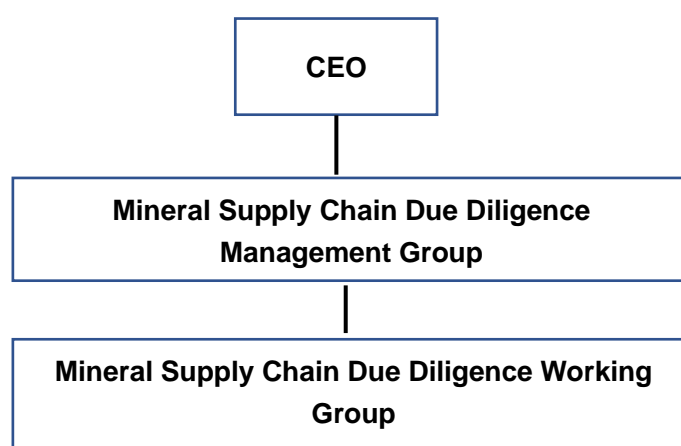
### **Five-Step Framework for Due Diligence Management System**

Since 2017, CNGR has been carrying out responsible supply chain due diligence management for cobalt, in accordance with the ***OECD Guidelines*** and ***China Guidelines***, as well as the five-step framework of ***the Cobalt Smelter Due Diligence Management Standard***. 2021, in accordance with industry standards and downstream customer requirements, we added the nickel and upgrade the cobalt supply chain due diligence management system to a mineral supply chain due diligence management

system, and begin to transfer the requirement to nickel suppliers.

### **First Step: Establish Strong Management System**

1. Established a mineral supply chain due diligence management group, under the direct control of the CEO. The management group is headed by the VP of each center and department, whose main responsibility is to supervise the due diligence management and provide necessary resource support. The working group is headed by a senior manager with rich experience in due diligence management, and the group members include supply chain management, quality, system, as well as human resources, production operation, finance, production, labor union and other related departments of each factory. Due diligence on upstream suppliers is conducted by the supply chain system management department.



2. CNGR has developed procedure related to the due diligence management of the mineral supply chain and provided training to all members of the organizational structure and other related personnel. Meanwhile, the Supply Chain System Management Department produces monthly due diligence management-related scientific knowledge and collects domestic and international due diligence management developments to send to members of the due diligence management organization structure, etc. to improve the due diligence management.

3. The company has established a traceability system to ensure that raw materials are traced throughout the process from the time enter the company to the shipping stage; the company has established an inventory-related system to take inventory on a monthly basis, calculate the metal balance. And reached the target value of the collection rate in FY 2021.

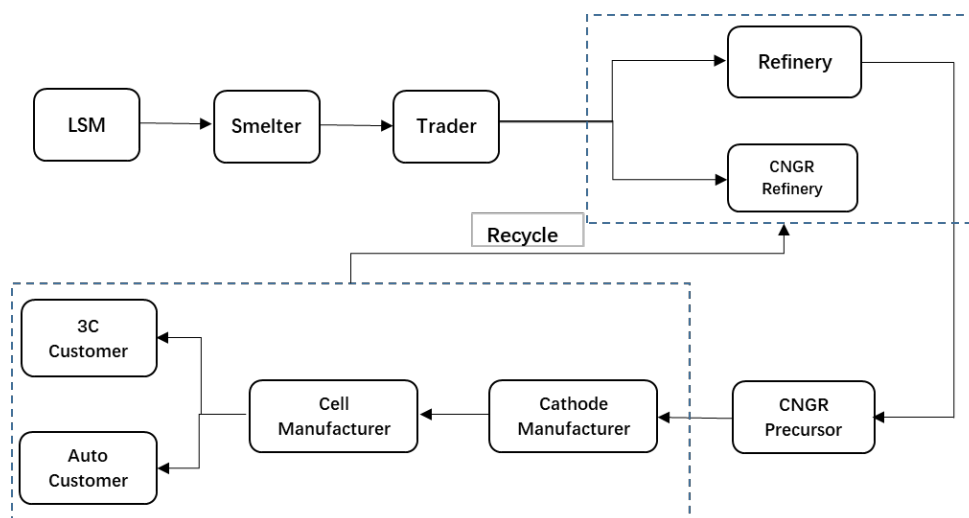
4. The company hold a management review related to the due diligence management of the mineral supply chain in February 2022, and output the management review report. The

senior management has reviewed the reasonableness and effectiveness of the construction of the company's due diligence management system and the performance of due diligence management, and made suggestions and recommendations for improvement, and the due diligence management working group would follow up the progress of the improvement. The report was submitted to the chairman and members of each management group.

## Step 2 Identify and assess risks in the supply chain

1. Through due diligence management of all nickel and cobalt suppliers of our company, We have collected supplier-related information through KYS questionnaire, mineral source survey, on-site Audit, grievance mechanism, and customer feedback. The collection rate of cobalt supplier information is 100% and nickel supplier information is 79%. the collection rate for FY2022 is 100%.

### 2. Supply Chain Map



3. The assessment of conflict-affected and high-risk areas in mineral sourcing areas is based on the following tools in terms of armed conflict, human rights, and governance.

#### Tool Used:

- Heidelberg "Global Conflict Barometer"
- UN Sanctions List
- Corruption Index
- Human Development Index
- EU Conflict Minerals Regulation CAHRA List
- Dodd-Frank Wall Street Reform and Consumer Protection Act

**High risk area assessment results:**

**Cobalt:** The DRC is a conflict-affected and high-risk region. However, the provinces of Luaraba and Haut Katanga in southern DRC, the main source of cobalt, are not considered conflict-affected areas, but rather high-risk areas with general human rights and child labor risks. Governance risks exist in Zimbabwe, Mozambique, Tanzania, and Zambia, the countries through which the shipments pass.

**Nickel:** Madagascar is at risk for governance.

4. Conduct enhanced due diligence on suppliers whose mining sources are in DRC and Madagascar, assess the risks in the supply chain, and form risk assessment reports.

**Risk assessment result:** No risk of the worst forms of child labor, forced or compulsory labor and other serious human rights violations, as well as support for non-government armed forces are found in our supply chain for the time being.

**Step3 Design and implement a strategy to respond to identified risks**

**Mitigation Measures:** continue trading in risk mitigation.

Establish a risk mitigation countermeasure sheet to control and track the risks of suppliers. Regularly communicate with suppliers and track the progress of risks, and will suspend transactions or terminate transactions if risks are found to be developing in an unacceptable direction. 2020 Identify medium risks of corruption and money laundering in Supplier G, discuss risk mitigation measures together through multiple teleconferences and email communication, guide suppliers to establish and implement supply chain due diligence management systems, and regularly follow up on suppliers' risk mitigation progress status. The supplier has now passed the third-party audit by RMI in 2021 and the risk level has been reduced. For suppliers whose sources of supply are Madagascar, suppliers are required to participate in LME's due diligence management audits to clarify risks.

**Step 4 Carry out independent third-party assessment of refiner's due diligence practices**

Invited an third-party institution to conduct a cobalt supply chain due diligence management audit of CNGR.

- On December 6, 2020, Hunan CNGR New Energy Technology Co., Ltd. passed the RMAP audit and was included in the conformant list; on April 12-13, 2021, it received a re-audit and is still pushing for CAP improvements.
- Guizhou CNGR Resources Recycling Industry Development Co.,Ltd was audited by RMAP on April 15, 2021, and received a notice of compliance on February 18, 2022, and was included in the conformant list.
- CNGR Advanced Materials, Hunan CNGR and Guizhou CNGR cycle accepted eight

- second-party audits performed by RCS, all of which passed the audits successfully.
- The company requires that smelters in key segments of the supply chain are subject to independent third-party audits. Currently for cobalt, 12 domestic and international suppliers have been audited by RMI third parties, an increase of eight compared to 2020. More suppliers are expected to be audited by independent third parties. The company encourages more suppliers using recycled materials to undergo independent third-party audits. Nickel is mainly encouraged to be audited as it is just starting to implement due diligence management.
  - The supply chain management department communicated with the top management of cobalt and nickel suppliers to implement the awareness, and helped and guided suppliers to establish due diligence management system. 2021 on-site guidance and training were provided to domestic primary suppliers of cobalt material, a total of 15 suppliers, to promote the construction of due diligence management system of suppliers. The main problem points of suppliers: system construction is not sufficient, there are impeded in upstream traceability, risk identification is not in place and risk mitigation is not on the ground, etc.

#### **Step 5 Report Annually on supply chain due diligence**

A social responsibility section has been established on the company's website, news related to social responsibility and due diligence management of the mineral supply chain are posted on the website for reference and discussion.

In 2021, an increasing number of refineries and smelters are actively undergoing and passing independent third-party audits, demonstrating that due diligence management has taken hold and is increasingly valued in the industry. Due diligence management is a process of continuous improvement. CNGR will continue to actively accept and also require all nickel and cobalt material suppliers to undergo audits by independent third-party organizations and second-party audits from customers. While improving our own system construction, we will continue to strengthen communication with upstream and downstream enterprises, learn from industry organizations, actively participate in industry conferences and forums, share and report the progress of supply chain due diligence management with relevant parties, and jointly create a more sustainable and healthy mineral supply chain.