

2024 Mineral Supply Chain Due Diligence Report for PT Zhongtsing New Energy

Stand April 2025



contents

1 Background.....	2
2 Company Information.....	2
3 Mineral Supply Chain Due Diligence Policy & Supplier Code of Conduct.....	2
4 Mineral Supply Chain Due Diligence Standards.....	3
5 Six-Step Due Diligence Framework.....	3
5.1 Establishing a Comprehensive Corporate Management System.....	3
5.2 Identification and Assessment of Supply Chain Risks.....	5
5.3 Develop and Implement Response Policies for Identified Risks.....	6
5.4 Independent Third-Party Evaluation and Auditing.....	6
5.5 Reporting Due Diligence Processes and Results.....	6
5.6 Providing Conditions and Collaboration for Remediation.....	6
6 Conclusion.....	7

1 Background

With the global development of the new energy vehicle and battery industries, EU countries have been continuously introducing and implementing various regulations to protect the growth of their manufacturing sectors. These include Germany's Supply Chain Act, the EU's Corporate Sustainability Due Diligence Directive, the New Battery Regulation, the Critical Raw Materials Act, and the U.S.'s Inflation Reduction Act. These regulations highlight the increasing societal attention and stricter requirements placed on companies' performance in sustainable development and supply chain due diligence management. Indonesia, as the country with the largest reserves and highest production of laterite nickel ore, has become a focal point for due diligence in mineral supply chain management for the new energy sector. It is also a key area of interest for downstream supply chain customers, consumers, NGOs, and other stakeholders. Effectively managing the responsible supply chain of Indonesian nickel ore is crucial for meeting the demands of stakeholders and for the overseas market development of companies in the industry.

The time period covered in this report: Feb 3, 2024 – Apr 20, 2025.

2 Company Information

Company Name: PT Zhongtsing New Energy (CID: CID004532)

Company Location: Jalan Trans Sulawesi, Kawasan Industri Morowali, Kab. Morowali, Sulawesi Tengah, Indonesia

Raw Materials: Nickel

Last Assessment Date: Mar 18-19, 2024

Assessment Period: Feb 1, 2023 – Feb. 2, 2024 **Assessment**

Company: Arche Advisors

Report Link: [PT ZHONGTSING Public Report.pdf](#)

3 Mineral Supply Chain Due Diligence Policy & Supplier

Code of Conduct

To avoid the use of conflict minerals that directly or indirectly finance or benefit armed groups, or involve other serious human rights abuses in conflict-affected and high-risk areas, the company has established the Responsible Global Mineral Supply Chain Due Diligence Policy and the Supplier Code of Conduct, which have been widely disseminated to all stakeholders. The company has updated the Responsible Global Mineral Supply Chain Due Diligence Policy to include environmental protection and risk management related to resource extraction. In the Supplier Code of Conduct, the company has incorporated the United Nations Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human

Rights as reference standards.

Additionally, the company has formulated an ESG Policy and a Human Rights Policy, committing to respect human rights in accordance with the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, and the provisions of the United Nations Global Compact.

Policy Links: <http://www.cngrgf.com.cn/shzr.html>

4 Mineral Supply Chain Due Diligence Standards

PT Debonair Nickel Indonesia adheres to the following standards for implementing mineral supply chain due diligence:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (3rd Edition) - referred to as the OECD Guidelines
- China's Guidelines for Responsible Mineral Supply Chain Due Diligence (2nd Edition) - referred to as the China Guidelines
- UN Guiding Principles on Business and Human Rights
- UN Voluntary Principles on Security and Human Rights
- Practical Actions for Identifying and Addressing the Worst Forms of Child Labor in Mineral Supply Chains
- All Metal Due Diligence Standards

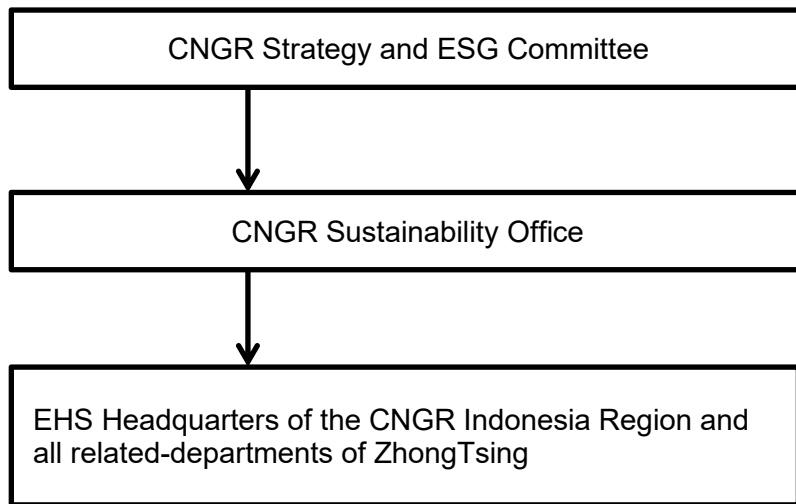
5 Six-Step Due Diligence Framework

Starting from 2023, the company has implemented mineral supply chain due diligence according to the six-step framework outlined in the OECD Guidelines and the China Guidelines. The company actively communicates the due diligence requirements to suppliers, including mines along its supply chain.

5.1 Establishing a Comprehensive Corporate Management

System

The Due Diligence of the company's mineral supply chain is coordinated and managed by the Sustainability Office of CNGR., with the participation of the EHS headquarters of the Indonesia region and various departments of the base.



Organizational structure for Due Diligence of Zhongtsing

The company has developed procedure documents related to Due Diligence in the mineral supply chain, trained all members of the organizational structure and other relevant personnel to increase the popularity of responsible management.

The company has established relevant systems for material control to ensure that information such as the arrival date, weight, test results, traders, and mines of each batch of raw materials is recorded in detail. The company has established a system for inventory checks and conducts them on a monthly basis.

The company has established the "Social Responsibility Grievance Management Process" and conducts complaint management in accordance with the requirements of the "Social Responsibility Complaint Management Process". Please refer to the Grievance channels:

1. External grievance channels: Sustainability Office public email (cngrCSR@cngrgf.com.cn).

2. Industry grievance methods:

2.1 CCCMC:

<https://www.cccmc.org.cn/kcxfzzx/zyzx/al/ff80808187f9e83501881d10823206e4.html>

2.2 The sound of the RBA: <https://www.responsiblebusiness.org/tools/voices>

2.3 Complaint platform of Indonesian Ministry of Energy and Mines:

<https://www.esdm.go.id>

2.4 Indonesia environment and forestry department report (KLHK) platform:

<https://icircle.menlhk.go.id>

Indonesia's human rights commission (Komnas HAM) 2.5:

<https://www.komnasham.go.id>

Or other industry organizations' national contact points, Indonesian judicial authorities, etc.

In the first quarter of 2025, the company conducted a management review related to responsible management of the mineral supply chain, produced a management review report, and reviewed the rationality and effectiveness of the company's responsible

management system construction and the performance of responsible management, put forward improvement opinions and suggestions, and the progress of improvement of the opinions and suggestions was tracked by the Sustainability Office.

At the same time, the company firmly supports the implementation of transparency or information disclosure requirements established or recognized by the local government, such as the relevant principles and standards set out in the Extractive Industry Transparency Action Plan (EITI).

All of the Company's documents related to due diligence are kept for more than 10 years.

5.2 Identification and Assessment of Supply Chain Risks

Implement due diligence management for all nickel suppliers. Regularly collect relevant information about suppliers through reliable third-party data, KYS questionnaires, mineral sourcing investigations, on-site assessments, grievance mechanisms, customer feedback, etc. In 2024, the information collection coverage rate for nickel suppliers will reach 100%.

Based on the above information, draw the supply chain map, and assess the impact of conflict and high-risk areas in mineral source regions from three aspects: armed conflict, human rights, and government governance, based on the following tools:



Tools to be used:

- Heidelberg "Global Conflict Barometer"
- Corruption Index
- Amnesty International World Human Rights Report
- Human Development Index
- EU Conflict Minerals Regulation CAHRA List
- Dodd-Frank Act
- United Nations sanctions lists, sanctions lists of countries where companies and suppliers are located
- Eu sanctions list, US sanctions list

On-site Evaluation:

In 2024, the sustainability management team, visited nickel mines in Indonesia. During the visit, it was found that the mine's due diligence management system was not well developed, with relevant documentation missing. However, no serious human rights violations or armed conflicts were identified, and there were no significant high risk factors.

Risk Identification and Assessment Results:

All nickel materials used in Debonair's production come from within Indonesia. Based on Debonair's CAHRAs identification results, Indonesia is not classified as a CAHRA, so no warning signals were triggered for mineral source areas or transit locations, no supplier-related warning signals were triggered, and no alerts for specific circumstances were raised. None of the suppliers in the supply chain were subject to sanctions. Through official public information, KYS questionnaires, mineral sourcing investigations, on-site evaluations, grievance mechanisms, customer feedback, and other means, no instances of torture, cruel, inhuman, or degrading treatment, any form of forced labor, the worst forms of child labor, or other severe human rights violations, violations of international humanitarian law, or direct or indirect support for non-state armed groups, public or private security forces, or other high-risk activities were found in the supply chain. Therefore, it was concluded that the due diligence risk is low.

5.3 Develop and Implement Response Policies for Identified Risks

Overall risk mitigation measures: Continue trading.

According to the current risk assessment results, although there is no serious risk of human rights violations and child labor among direct employees in our supply chain, we will keep an eye on it and work with suppliers to formulate improvement countermeasures for the establishment and improvement of due diligence management system and the enhancement of awareness, and follow up regularly to jointly monitor and manage risks in the supply chain.

5.4 Independent Third-Party Evaluation and Auditing

- The company conducted RMI's RMAP and ESG assessment in Mar 2024.
- The company actively promotes independent third-party audits and second-party audits for upstream mines. Currently, 2 mines have already accepted CNGR's second-party audit in 2024.

5.5 Reporting Due Diligence Processes and Results

As of 31 March 2025, no complaints related to due diligence of the mineral supply chain were received through the company's public grievance channels. Grievance handling: 0.

The company prepares its annual report on nickel supply chain due diligence in the first quarter of each year and publishes it on CNGR official website.

5.6 Providing Conditions and Collaboration for Remediation

In accordance with the requirements of the second edition of the "China Guidelines," the company has added the sixth step and clarified it in the system.

6 Conclusion

The company focuses on the construction of a sustainable supply chain, working closely with industry partners. By setting an example through its own actions, the company practices responsible sourcing, establishes accountability mechanisms for stakeholders, meets regulatory compliance requirements, and enhances supply chain resilience and security. In the future, the company will accelerate the establishment of a supply chain due diligence and compliance management system that meets international standards and continue to build a sustainable supply chain.

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