

# 2023 Mineral Supply Chain Due Diligence Report

Stand Mar 2024



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# 1. Background

2023, after the epidemic has ended, the domestic and international exchanges have gradually resumed, a large number of international suppliers and customers have visited and exchanged closely, and China's new energy vehicle exports are expected to exceed 2 million units in this year, and the overall automobile exports are expected to exceed 5 million units, becoming the world's first exporter. With the development of China's new energy vehicle and power battery industry, EU countries have gradually landed various bills in order to protect their industrial development. German ***Supply Chain Act***, the EU ***Corporate Sustainability Due Diligence Directive***, ***the Battery Law***, ***the Critical Raw Materials Act*** and ***the Inflation Reduction Act***. It indicates that the performance of enterprises in sustainable development and supply chain due management is also getting more and more attention from all walks of life, and the requirements are becoming more and more stringent.

## 2. Company Information

**1. Company Name:** CNGR ADVANCED MATERIAL CO.,LTD

**Company Location:** Intersection of No.2 Main Road and No.1 Main Road,  
Dalong Economic Development District, Tongren, Guizhou Province, China

**2. Company Name:** HUNAN CNGR NEW ENERGY SCIENCE&TECHNOLOGY CO.,  
LTD.

**CID Number:** CID003411

**Company Location:** No.1 Tanjin Road, Changxing Village, Ningxiang  
Economic-technology Development District, Changsha, Hunan Province, China

**Latest Time Audit Date:** April 20<sup>th</sup> to 21<sup>th</sup> 2024

**Audit Time Period:** From April 1<sup>st</sup> 2021 to March 31<sup>th</sup> 2023

**Metal Type:** Cobalt

**Assessing Authority:** UL

**Report Links:**

<https://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/smelter-refiner-lists/cobalt-refiners-list/conformant-cobalt-refiners/>

**3. Company Name:** GUIZHOU CNGR RESOURCE RECYCLING INDUSTRY  
DEVELOPMENT CO.,LTD.

**CID Number:** CID003610

**Company Location:** Intersection of No.2 Main Road and No.1 Main Road,  
Dalong Economic Development District, Tongren, Guizhou Province, China

**Latest Time Audit Date::** Sept 19<sup>th</sup> to 20<sup>th</sup> 2022

**Audit Time Period:** From April 1<sup>st</sup> 2021 to Aug 31<sup>th</sup> 2022

**Metal Type:** Cobalt

**Assessing Authority:** UL

**Report Links:**

<https://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/smelter-refiner-lists/cobalt-refiners-list/conformant-cobalt-refiners/>

**4.Company Name:** GUANGXI CNGR NEW ENERGY SCIENCE & TECHNOLOGY CO.,LTD

**CID Number:** CID004681 (Co) 、 CID004728 (Ni)

**Company Location:** Qinzhou Port Area of China (Guangxi)Pilot Free Trade Zone Guangxi CNGR New Energy Science& Technology Co., Ltd

**Latest Time Audit Date::** Nov 21<sup>th</sup> to 22<sup>th</sup> 2023 (Audit by CCCMC)

**Audit Time Period:** From April 1<sup>st</sup> 2023 to Oct 1<sup>st</sup> 2023

**Metal Type:** Nickel

**Assessing Authority:** China Standard Conformity Assessment Co.,LTD

**Report Links:**

<https://www.shuzih.com/pub/5effd16059aa1265fb7f6688b3177f0c/b9b42e82b5b94c4db8d567e10d0f92cb.pdf>

**The Primary RMAP Audit Date:** March 28<sup>th</sup> to 29<sup>th</sup> 2024 (Planning)

**Audit Time Period:** Feb 1<sup>st</sup> 2023 to Feb 15<sup>th</sup> 2024

**Metal Type:** Nickel and Cobalt

**Assessing Authority:** SGS

**The Report Time Scope: From Jan 1<sup>st</sup> to Dec 31th 2023**

### **3.Mineral Supply Chain Due Diligence Management Policy & Supplier Code of Conduct**

CNGR has added risk management related to environmental protection and resource exploitation in the *Responsible Global Mineral Supply Chain Due Diligence Policy*, and added the *United Nations Guiding Principles for Business and Human Rights* and the *United Nations Voluntary Principles for Human Rights and Safety* to the *Supplier Code of Conduct*. At the same time, CNGR formulates the *Human Rights Policy* and respects human rights in accordance with the *United Nations Universal Declaration of Human Rights*, *the International Labor Organization Declaration on Fundamental Principles and Rights at Work*, the *United Nations Guiding Principles for Business and Human Rights*, and the provisions of the **United Nations Global Compact**.

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

## 4. Mineral Supply Chain Due Diligence Management Standards

CNGR implements due diligence management of the mineral supply chain in accordance with the following standards:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas OECD (3<sup>rd</sup> Edition)  
– OECD Guidance
- Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (2nd Edition) – China Guidance
- United Nations Guiding Principles for Business and Human Rights
- United Nations Voluntary Principles for Human Rights and Safety
- Practical Actions for Enterprises to Identify and Address the Worst Forms of Child Labor in the Mineral Supply Chain
- Full Metal Due Diligence Standard



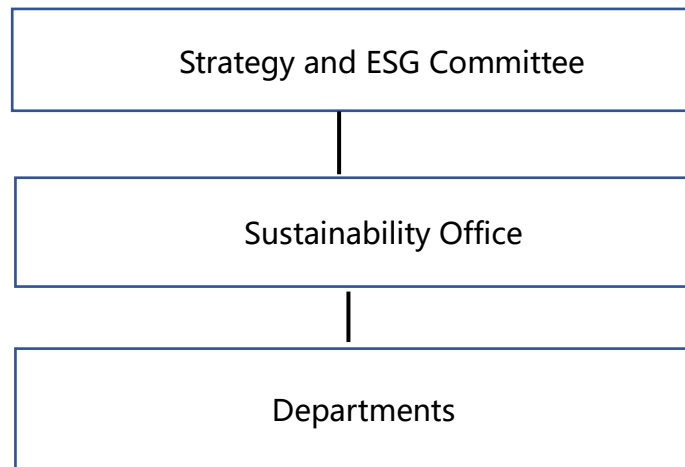
## **5.Six-step Framework of Due Diligence Management System**

Since 2017, CNGR has carried out responsible supply chain due diligence management of cobalt and carried out supply chain due diligence management in accordance with the five-step framework of the OECD Guidance and China Guidance, as well as the Cobalt Smelter Due Diligence Management Standard. In 2021, according to industry standards and downstream customer requirements, we included nickel in the due diligence management system, upgrading the cobalt supply chain due diligence management system to the mineral supply chain due diligence management system. In 2022, we upgraded the five-step approach to a six-step approach in accordance with the requirements of the 2nd edition of the China Guide. And at the same time, we incorporated manganese into the due diligence management system, and began to transmit due diligence requirements to manganese suppliers.

### **5.1 Establish a sound enterprise management system**

In 2023, in order to meet the strategic needs and improve the company's environmental, social and governance (ESG) performance, CNGR set up the Strategy and ESG Committee. The Sustainability Office, under the guidance of the Committee, is responsible for the implementation of the Company's due diligence management system for the mineral supply chain. Meanwhile, the business center, renewable resource center, quality center, human resources center, production and operation center, finance center, labor union and other

related departments are also involved in due diligence management.



The company has formulated relevant procedural documents for the due diligence management of the mineral supply chain, and trained all members of the organizational structure and other relevant personnel. Meanwhile, the Sustainability Office produces popular science materials related to due diligence management every month, collects domestic and foreign due diligence related news, and shares them to members in the due diligence organizational structure, etc., so as to improve the popularity of due diligence in the company.

The company has established a traceability system to ensure the whole process traceability of raw materials from entering the company to the stage of product shipment. The company has established an inventory system, and conducted inventory monthly. The metallic yield achieved the target in 2023.

The Company holds a management review related to the due diligence management of mineral supply chain in the first quarter of each year, and

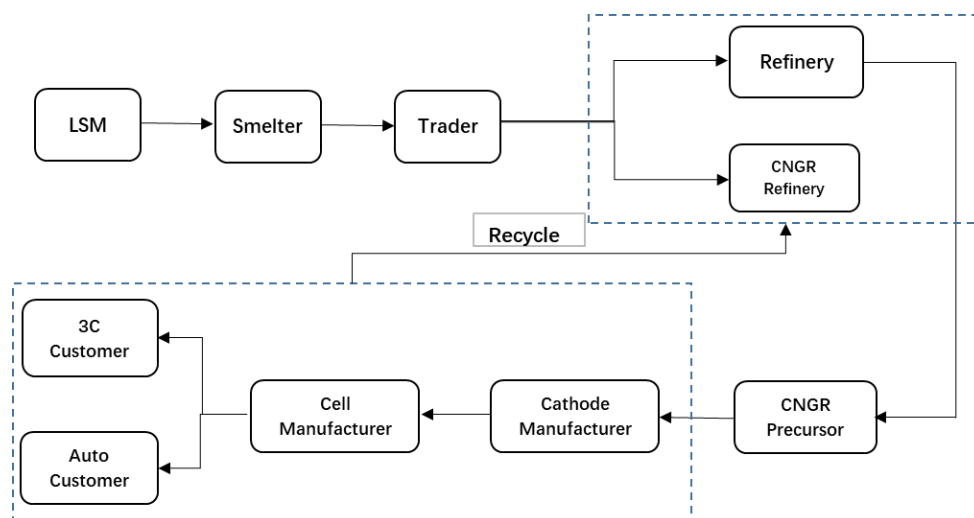
outputs the management review report, which to evaluate the rationality and effectiveness of the due diligence management system construction and performance. The Sustainability Office tracks the progress of improvement of opinions and suggestions.

All company documents related to due diligence management are kept for more than 5 years.

## 5.2 Identify and assess supply chain risks

CNGR carried out due diligence management for all nickel, cobalt and manganese suppliers. Regularly collect supplier information through reliable third-party information, KYS questionnaires, mineral source surveys, on-site assessments, grievance mechanisms, customer feedback, etc. Based on the results of risk assessments in previous years, collect information on suppliers in low-risk and high-risk areas at least once a year. In 2023, the data collection rate of cobalt suppliers was 100%, the data collection rate of nickel suppliers exceeded 100%, and the data collection rate of manganese suppliers was 100%.

Based on the above information, draw a supply chain map



From the three aspects of armed conflict, human rights and government governance, the following tools are used to assess the conflict affected and high-risk areas.

Use the tool:

- Heidelberg “Global Conflict Barometer”
- Corruption Index
- Human Development Index
- ILAB Child Labor and forced labor List
- CAHRA List of the EU Conflict Minerals Regulation
- Dodd-Frank Act

**On-site Assessment:**

From November 8th to 17th, 2022, the cobalt procurement team and the sustainability management team went to the DRC to conduct a ten-day on-site visit and research on the local cobalt mining industry, during which they visited a number of mines, including MUMI, KCC, RTR, etc. The survey did not identify human rights abuses and labor problems among direct employees, and did not identify child labor, but insufficient attention was paid to the human rights and labor issues related to contractors. Meanwhile, CNGR recruit RCS Global made the 2rd party on-site audit to 1 Smelter and mine site in DRC. As for Nickel, CNGR nickel purchase team and sustainability management team went to the Indonesia and made on-site visits to several nickel mine sites, and found that the due diligence documents has lost a lot. Through the on-sit investigation,

based on the CAHRAS identification results of CNGR, Indonesia is not the CAHRA, and on-site audits did not identify high risks related to human rights. Therefore, the due diligence management risk is low. CNGR also recruit the RCS Global made the 2rd party on-site audit to 3 Indonesia' s Smelter and mine site in Dec 2023.

### **5.3 Develop and Implement response policies to the identified risks**

**Overall risk mitigation measures:** Continue trading in risk mitigation

Establish a risk mitigation countermeasure table to control and track due diligence risks such as human rights and child labor of suppliers. Communicate with suppliers on a regular basis, track the progress of risks, and suspend or terminate transactions and report to the company's management once risks are found to develop in an unacceptable direction. Based on the results of the current on-site visits, although we have not found serious human rights violations and child labor risks among the direct employees in our supply chain, we will continue to pay attention to it, and work with our suppliers to formulate improvement measures for the establishment and improvement of the due diligence management system and the improvement of awareness, and follow up regularly.

### **5.4 Independent third-party assessment and audit**

Invite an independent third-party organization to conduct a due diligence management audit of CNGR's cobalt supply chain.

- In February 2022, Guizhou CNGR Resource Recycling Industry Development Co., Ltd. received a compliance notice and was included in the RMAP compliance list for the first time.
- In December 2022, Hunan CNGR New Energy Technology Co., Ltd. passed the RMAP review and continued to remain in the compliance list.
- Guangxi CNGR New Energy Science & Technology Co., Ltd. has planned to accept the primary RMAP Audit in March 2024, include Nickel and Cobalt.
- In 2023, CNGR domestic Industrial Base has accepted 2<sup>rd</sup> party Audit 10 times which from customers or authorized 3<sup>rd</sup> party institution. All the audit has been passed.
- CNGR required the upstream smelters to accept the independent 3<sup>rd</sup> party Audit. At present, 19 domestic and overseas suppliers has passed through the RMI Audit. Compare 2022, increased 7 company. The company encourages more suppliers that use recycled materials to undergo independent third-party audits. As for nickel, 4 suppliers have passed RMI audit, a significant increase over 2022.
- On July 22<sup>nd</sup>, 2022, the LME officially approved the “Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains” to pass the standard conformity assessment conditionally, and from now on, LME registered brand owners (select route A) can carry out the construction and assessment of supply chain due diligence management system according

to the second edition standard of the China Guidance and supporting assessment tools. Therefore, CNGR encourages suppliers to use the China Guidance to carry out due diligence management of mineral supply chains.

- CNGR Qinzhou Industrial Base has been audited by the CCCMC according to the ***Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*** (Version 2) in Nov 2023, include Nickel. And achieved LEVEL A.

The Sustainability Office continuously communicates with the senior management of raw material suppliers, instills the awareness of due diligence management in the senior management of suppliers, and helps and guides suppliers to establish a due diligence management system. Make annual supplier system audit plan ,and conduct on-site quality system and ESG audit for qualified suppliers of main raw materials, auxiliary materials and newly developed suppliers. The audit covers five areas: Quality system, EHS, Social (labor and Business ethics), carbon emissions and due diligence management. In 2023, we made main raw materials suppliers audit 38 times, auxiliary materials audit 46 times, actual completion rate :100%, and no suppliers with significant quality issues, negative social or environmental impacts were identified.

## **5.5 Report the due diligence process and results**

In 2022, the website of CNGR was upgraded and the sustainability section was established in the website, including content such as responsible supply chain, climate change, circular economy, compliance and integrity, etc., which were

updated regularly.

As of December 31st, 2023, the public appeal channel announced by the sustainability office of CNGR has not received any complaints. For appeal channels, please refer to:

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

## **5.6 Provide conditions and cooperate in remediation in a timely manner**

According to the requirements of the second edition of the China Guidance, CNGR added the requirements of step 6, which were clarified in the system. 2023 is a key year for CNGR to actively participate in supply chain due diligence management. During the year, CNGR formulated a sustainability strategy and specific action plan, and the sustainability supply chain is an important part of it. Next, we will closely follow the company's strategic planning and actively implement various actions to lay a solid foundation for CNGR to move towards industry best practice.



CNGR 中伟