



2022 Mineral Supply Chain Due Diligence Report

Background

In 2022, despite the impact of the epidemic and the international situation, global new energy vehicle sales once again achieved substantial growth, exceeding 10 million units, and the penetration rate further increased. The introduction of the German Supply Chain Act, the EU Corporate Sustainability Due Diligence Directive and the Battery Law indicates that the performance of enterprises in sustainability and supply chain due diligence management has also attracted more and more attention from all walks of life, and the requirements are becoming more and more stringent.

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

Last audit date: 2021/4/12-13

Audit period: 2020/1/1-2021/3/31

Audit leader: Roc Liao

Report link:

<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

Last audit date: 2022/9/19-20

Audit period: 2021/4/1-2022/8/31

Audit leader: Roc Liao

Report link:

<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

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

The period covered by this report is from January 1st, 2022 to December 31st, 2022

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 Labour 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 Link Address: <http://www.cngrgf.com.cn/en-US/sust/799.html>

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 (3rd Edition) – OECD Guidance
- Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (2nd Edition) – China Guidance
- Cobalt Smelter Due Diligence Management Standard 2.0
- 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 Labour in the Mineral Supply Chain
- Joint Due Diligence Standard
- Full Metal Due Diligence Standard

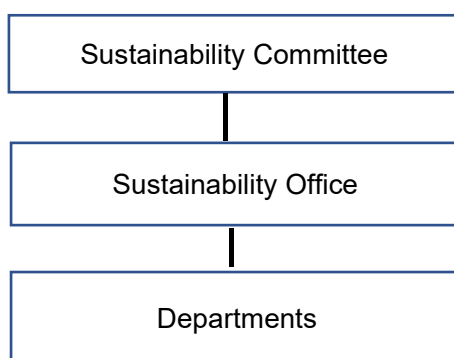
Six-step Framework of Due Diligence Management System

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.

Step 1. Establish a sound enterprise management system

1. In October 2022, CNGR formally established the Sustainability Committee, which is responsible for the company's sustainability strategy, and established a sustainability office to carry out specific work under the guidance of the Committee. 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.



2. 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.

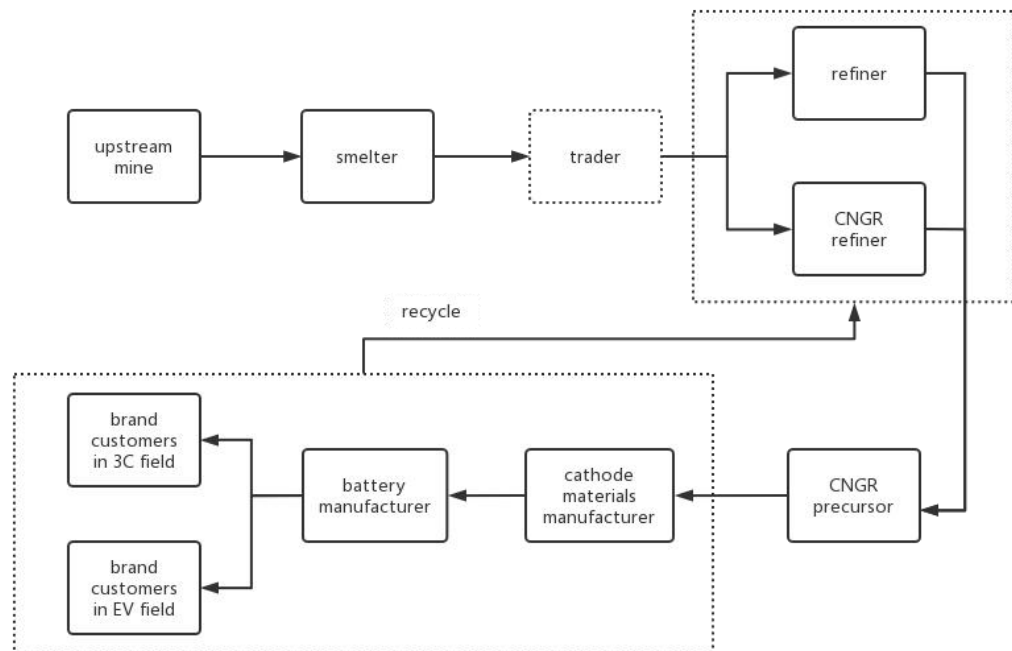
3. The company has established a traceability system to ensure the whole process traceability of raw materials from entering the company to the stage of product shipment. The company has established an inventory system, and conducted inventory monthly. The metallic yield achieved the target in 2022.

4. The company holds a management review related to the due diligence management of the mineral supply chain in the first quarter of each year, and outputs the management review report. The Sustainability Committee reviews the rationality and effectiveness of the company's due diligence management system construction and the performance of due diligence management, puts forward suggestions for improvement, and the Sustainability Office tracks the progress of improvement of opinions and suggestions. The report is submitted to the Chairman and all members of the Sustainability Committee.

Step 2. Identify and assess supply chain risks

1. CNGR carries 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 2022, the data collection rate of cobalt suppliers was 100%, the data collection rate of nickel suppliers exceeded 90%, and the data collection rate of manganese suppliers was 70%. The collection rate target for 2023 is 100%.

2. Based on the above information, draw a supply chain map



3. 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”
- United Nations sanctions lists
- Corruption index
- Human Development Index
- 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, in November 2022, the nickel procurement team and the sustainability management team went to Indonesia and visited a number of nickel mines there. The visit found that there were many missing documents related to due diligence management. However, 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.

Step 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.

Step 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.
- Each base of CNGR accepted third-party audits entrusted by the customers and second-party audits personally implemented by the customers a total of 7 times, all of which successfully passed the audits.
- The company requires smelters at the key link to undergo independent third-party audits in the supply chain. At present, 16 domestic and international suppliers have passed the RMI third-party audit, an increase of 4 compared with 2022. The company encourages more suppliers using recycled materials to undergo independent third-party audits. As nickel suppliers have just begun to implement due diligence management, only one supplier has passed an independent third-party due diligence audit.

- On July 22nd, 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.
- 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. In 2021, on-site guidance and training were provided to 15 domestic first-tier suppliers of cobalt-containing raw materials, which promoted the construction of a due diligence management system for suppliers. In 2022, due to the impact of the epidemic, online communication and guidance will be the mainstay, mainly for suppliers who have not passed independent third-party audits.

Step 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, 2022, the public appeal channel announced by the sustainability office of CNGR has not received any complaints. For appeal channels, please refer to: <http://www.cngrgf.com.cn/shzr.html> Social Responsibility Complaint Management System

Step 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.

2022 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.