



华友钴业
HUAYOU COBALT

*Report of Due Diligence
of Responsible Mining Supply Chain 2022*

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About the Report

Scope of the Report

The information and data in this Report mainly cover various practical activities related to due diligence of responsible supply chain carried out by the Company from January 1, 2022 to December 31, 2022. Based on the continuity and contrast of the Report, some data and information are not limited to the year of 2022.

Compilation principles

This Report is compiled with reference to *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*, *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* (hereinafter referred to as *Chinese Guidelines* and *OECD Guidelines*), *the Standard for Due Diligence of Responsible Supply Chain of Cobalt Smelter* of the Responsible Minerals Initiative (RMI) and the Responsible Cobalt Initiative (RCI). This Report meets the requirements of *Chinese Guidelines*, *OECD Guidelines* and *the Standard for Due Diligence of Responsible Supply Chain of Cobalt Smelter*.

Content compilation

The Company follows the principles of stakeholder participation and sustainable development background in *Chinese Guidelines* and *OECD Guidelines*, expounds the Company's due diligence in accordance with the "five-step method" under *the Standard for Due Diligence of Responsible Supply Chain of Cobalt Smelter*, and focuses on the compliance and performance of the Company's due diligence of responsible cobalt supply chain.

Release manner

The Report is released once a year in online version. The online version can be found on our website (website: www.huayou.com).

Reference notes

In this Report, Zhejiang Huayou Cobalt Co., Ltd. is referred to as "Huayou Cobalt Company" or "the Company", Congo Dongfang International Mining Sprl is referred to as "CDM"; La Miniere De Kasombo SAS is referred to as "MIKAS"; Other references not mentioned here shall be subject to the text.

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Due Diligence

As an important player in the new energy lithium battery materials industry, Huayou Cobalt Company upholds the development concepts of innovation, coordination, green, openness and sharing, and attaches great importance to CSR governance and sustainable development, with due diligence of responsible mining supply chain as one of the important issues to which the Company pays much attention.

Starting from building of its own CSR management system and continuously improving the requirements for mining cooperation suppliers, from the communication of basic documents such as the basic mining supply chain policy and supplier code of conduct, to the completion of CSR questionnaires and to the on-site visits and audits of key and core suppliers, the Company has gradually improved its mining supply chain CSR management system to make its own contribution to the sustainable development of the industry.

According to *the Guidelines on Social Responsibility for China's Outbound Mining Investment* (2017 Edition), the mining resources industry is a capital-intensive industry with long investment cycles and a high degree of specialization, and the sustainable development of mining resources investment and cooperation requires the safe, stable, transparent and predictable political, economic and social environment, and will also have a series of far-reaching impacts on the economy, society and environment. Therefore, while Huayou Cobalt Company is investing and making its operations overseas in Africa and Indonesia to achieve economic benefits, it must fully consider sustainable development of economy, environment and society, respect human rights, operate fairly, reduce its ecological footprint, properly handle relationship with communities, establish communication and cooperation mechanisms with various stakeholders, enhance awareness and capacity for responsible operation, improve transparency and continuously improve social responsibility performance.

As important metal materials in the production of lithium batteries, cobalt and nickel play a very important role in the process of global green transformation. As the proportion of cobalt and nickel in new energy lithium battery materials continues to increase, international new energy vehicle enterprises are paying increasing attention to the cobalt and nickel supply chain. The Democratic Republic of Congo (DRC) and Indonesia, as countries with large deposits of cobalt and nickel resources respectively, have become important investment and development sites for Chinese mining enterprises. However, due to the political and economic backwardness of the DRC, human rights risks and poverty issues are prevalent, and Indonesia has potential environmental issues that cannot be ignored, etc. Therefore, the ability to ensure the purity and sustainability of the Company's mineral product supply chain is crucial to the sustainability of the entire industrial chain and the trust of customers. In 2022, Huayou Cobalt Company continued to carry out due diligence of responsible mining supply chain in accordance with the framework of six-step method and the requirements of the due diligence process. The building of a responsible cobalt supply chain has been steadily progressing, and the building of a responsible nickel supply chain has begun to bear fruit. The Company's social responsibility office, together with the Group Headquarter and the procurement management department of each industrial group, jointly educated suppliers on mineral product awareness and communicated the due diligence policies and requirements. At the same time, the Company's quality control department, raw material procurement department and other departments joined forces with the colleagues from Social Responsibility Office and other relevant departments to conduct on-site assessments of key suppliers. The Company conducted risk analysis and assessment of suppliers through the Know Your Suppliers (KYS) questionnaire and public information collected through the Internet and other platforms, and then communicated the results of the risk assessment and risk mitigation plan to the suppliers after submission to the Company for approval, and monitored the suppliers to carry out the corresponding risk mitigation.

Framework of Six-Step Method



Step 1: Establishing a sound due diligence system

In accordance with *the OECD Guidelines* and *the Chinese Guidelines*, Huayou Cobalt Company has established a cobalt and nickel due diligence system of responsible supply chain and related procedural documents, including *the Policy on Responsible Global Mining Supply Chain from High Risk Areas*, *the Supplier Code of Conduct* and *the Supplier Standards for Responsible Mining Procurement*. At the same time, the Company has established a social responsibility committee under the direct control of the President, such committee consists of a social responsibility office and dedicated persons to carry out the work of due diligence of responsible supply chain and to report directly to the President on a monthly basis. The raw material procurement department cooperates in responsible raw material procurement and is under the supervision of the social responsibility office. (For more information on Huayou Cobalt Company's sustainable development, please refer to our latest ESG annual report.)

- **Policy of due diligence of responsible mining supply chain**

Huayou Cobalt Company has established a due diligence of responsible mining supply chain policy and management system in accordance with the requirements of *the Chinese Guidelines* and *the OECD Guidelines*. Huayou Cobalt Company will

widely disseminate this policy and incorporate it into the day-to-day management of suppliers' responsible procurement from high-risk areas.

- **Supplier code of conduct**

Huayou Cobalt Company always sets high standards for itself when conducting business, including following relevant laws and regulations in the field of corporate social responsibility (CSR). Accordingly, Huayou Cobalt Company has the same expectations for suppliers. Therefore, Huayou Cobalt Company has established *the Supplier Code of Conduct*, which puts forward expectations for suppliers from the aspects of labor and human rights, health and safety, and requires suppliers to pass these terms to their suppliers. Huayou Cobalt Company will consider these terms as part of its supplier screening, and we will actively monitor the compliance of suppliers. Any violation of this Code may damage the business relationship between the supplier and Huayou Cobalt Company, and even lead to the termination of the business relationship between both parties.

- **Supplier standards for responsible mining procurement**

Based on the supplier code of conduct, Huayou Cobalt Company has formulated special supplier standards for responsible mining procurement, requires mining suppliers to carry out due diligence on the source of cobalt and nickel in mineral products in their whole supply chain in accordance with *OECD Guidelines* and determine whether the cobalt and nickel come from identified high-risk areas. If so, the supplier shall provide Huayou Cobalt Company with reasonable written evidence of its reporting, procurement and due diligence activities.

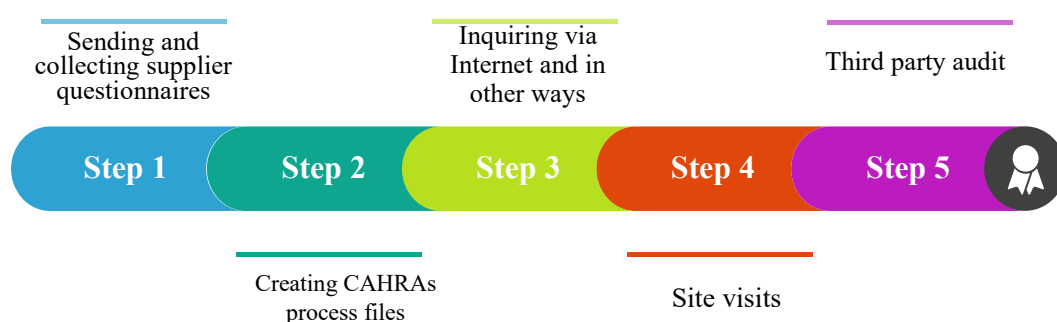
If the supplier violates the above Code or Standards, or its direct or indirect sub-supplier is deemed to have violated the Code or Standards, Huayou Cobalt Company may, at its discretion, require the supplier to implement corrective measures before a reasonably determined date, so that the supplier can give priority to preventing, mitigating and affecting the violation event, and require the corresponding

supply chain participants to deal with the identified risks. Huayou Cobalt Company may, in its sole discretion, determine to terminate all or any part of contract, agreement, purchase order or any other arrangement with the supplier if such violating supplier fails to mitigate or eliminate risk or refuse to take any measure according to Huayou Cobalt Company’s requirement.

(The above three documents can be available at the official website of Huayou Cobalt Company. At the same time, the Company has incorporated relevant requirements into its internal management system, and defined the responsibilities and work contents of due diligence of each department.)

Step 2: Risk identification and assessment of supply chain

Risk identification and assessment is the basis of due diligence. Risks in the supply chain are identified through the identification of the supply chain, the identification of the place of origin of raw materials and the identification of transport routes, and the level of risk is assessed. To this end, Huayou Cobalt Company has established workflows and systems related to risk identification to identify and assess risks, mainly in the following ways:



1. In 2022, the Social Responsibility Office at Group Headquarter continued to conduct due diligence of responsible mining supply chain in accordance with the requirements of the due diligence process, updated the due diligence questionnaire (*Know Your Supplier Questionnaire* (KYS)) for cobalt and developed *Know Your Supplier Questionnaire* (KYS) for nickel, and *the Know Your Supplier* (KYS)

questionnaires were sent to cobalt and nickel suppliers by Group Headquarter and raw material procurement department of each industrial group to obtain information on supplier compliance, raw material source, transportation and responsible procurement practices. With the assistance of procurement management department and so on, the Corporate Social Responsibility Office conveyed the Company's supplier code of conduct for CSR and the Company's CSR policy to a number of suppliers, and conducted a questionnaire survey on key suppliers. At the same time, the Company assessed and analyzed the information collected via KYS and network platforms, and used the supplier risk assessment questionnaire to assess the supplier risk.

2. Regulations on identification of the conflict affected and high risk areas (CAHRAs) have been established to assess whether countries of raw material origin are high risk countries or areas by identifying the countries from which raw materials originate and the countries through which they are transported. For conflicts, the Company primarily refers to the dynamic Crisis Severity data on the Crisis in Sight website and the definition of "conflict minerals" and prohibited countries of origin under *Dodd-Frank Wall Street Reform and Consumer Protection Act*. For governance, the Company refers primarily to the Resource Governance Index data. For human rights, the Company refers primarily to online dynamic reports at Global Witness, Amnesty International, Mines and Communities and other institutions, and the indicative and non-exhaustive list of conflict-affected and high-risk areas issued by the European Commission in December 2020 under Regulation (EU) 2017/821. At the same time, the Company has maintained and updated the CAHRAs identification process and conducted the analysis of the Human Rights Freedom Index, the Corruption Perception Index and the Heidelberg Barometer Index required by the RMI standards for the countries on the route.

3. Risk assessment of suppliers is conducted through Google searches, the RMI (Responsible Mineral Initiative) website and other inquiries to identify negative

information and reports on raw material suppliers and assess whether there are supply chain risks.

4. Site visit is conducted to understand the mining supplier's on-site control of mining materials.

5. All participants in our supply chain (especially our core suppliers) are urged to have due diligence system of responsible supply chain of their supply chains independently audited by third party. If the supplier has undergone a third party audit and it is still valid, the Company invites the supplier to provide a summary of the audit report and corrective measures, and to follow up on the corrective process.

6. The Company has sorted out and summarized the risks identified in various ways, drawn up a risk assessment report for each supplier, communicated the corresponding risk situation to the supplier for jointly establishing practical improvement actions.

Huayou Cobalt Company's suppliers are essentially domestic and international large-scale mining companies (LSMs), in addition to some recycled materials. In accordance with the Company's strategy, the procurement policy has been adjusted accordingly in order to reduce the intermediate stages of procurement, with direct procurement mainly from the refineries or smelters of LSMs. In 2022, the Company has conducted due diligence on all suppliers throughout the due diligence process. The identification of main risks is described as follows:

Supplier	Source of raw materials	Risk identification
Refineries/ smelters	Large-scale merchandised mines	Manufacturers' own due diligence information was inadequate, some did not conduct supply chain audits, and there were ESG-related risks such as environmental and occupational health and safety
Recycled materials	Waste batteries, leftover materials, defective products	Less risky, there may be inaccurate origin of raw materials (clear industry definition of recycled materials is needed)

The main information on risk assessment and mitigation is described as follows:

- Increase the development of the Company's own and outsourced mechanized mines (LSM). Huayou Cobalt Company manages mechanized mining in strict accordance with the requirements of due diligence and strictly prohibits child laborers from entering the mines, while managing ESG-related risks such as human rights violations and occupational health and safety, and continuously improves the site environment, with relatively low risk.
- Increase the purchase of mining recycled materials. According to the requirements of *OECD Guidelines*, the purchase is increased through effective identification of recycled materials or wastes, and the risk is relatively small.
- Strengthen due diligence of cobalt and nickel raw materials from outsourced mechanized mines (LSM). Through KYS (Know Your Supplier) and other documents, information is collected and assessed, the suppliers through mechanized mining generally have their own mines, and mine mineral materials through mechanized means, have their own policies on ESG management, such as human rights, occupational health and safety, environment. The management of the mining area is relatively good, and the risks of child labor and human rights violations are relatively small.

Step 3: Developing a risk mitigation plan for supply chain

- For LSMs with mechanized mining:
 - I. To enhance the collection of information related to the raw material sources of suppliers, the Social Responsibility Office has incorporated a contract evaluation process for raw material procurement to ensure direct communication with suppliers in terms of due diligence, and to conduct comprehensive risk assessments on the mining and transportation aspects of the supply chain and develop corresponding risk mitigation measures. At the same time, the Company's due diligence system of responsible supply chain has developed an annual work supervision schedule, and has

made overall planning and arrangements for supplier lists, supplier reviews, mine rectification records, organization of stakeholder training and risk mitigation work in accordance with the requirements of downstream customers and industry customer audits, and continuously supervised the raw material procurement department and other relevant departments to carry out work in accordance with the annual work plan formulated by the Headquarter in 2022 and provide regular feedback records to ensure the procedural implementation of the work of due diligence of responsible supply chain.

II. Invite the identified suppliers to operate the due diligence system and conduct independent third-party audit on the operation effect of the system. The Company will continuously track and supervise the audit results, especially the rectification of nonconformities.

- For due diligence of responsible supply chain for suppliers in Africa area:

The Social Responsibility Office of the Africa area has completed the sorting out of the audit cycle of cobalt suppliers and, in accordance with the requirements of the Group's Social Responsibility Office, re-identified and classified CDM's copper suppliers and cobalt suppliers for 2021-2022 based on product type, mine type, year of cooperation, ore supply quantity and mine address, and established a new supplier supply chain identification list for 2022; in accordance with the Group's Social Responsibility Office, external audit units and downstream customers' suggestions and requirements, *the Africa Area Stakeholder Communication Procedures* were supplemented and revised to further improve the system standards.

The supervision and implementation of various work in the supply chain has been promoted. An annual work supervision schedule was formulated for CDM's supply chain work, and an overall planning was arranged for the supplier lists, supplier reviews, mine rectification records, organization of stakeholder training and risk mitigation work in accordance with the requirements of downstream customers

and external audits, and the raw material procurement department was continuously supervised to carry out work and provide regular feedback records in accordance with the 2022 CDM due diligence of responsible supply chain annual work plan to ensure the procedural implementation of the work of due diligence of responsible supply chain.

The risk mitigation work of due diligence of responsible supply chain for Africa area has been improved, the third-party audit of MIKAS and CDM of responsible cobalt supply chain in January 2022 was completed, the audit results were continuously followed up, the risk mitigation plan for plant smelters and mines has been formulated and implemented to improve our responsible supply chain management level.

We assisted the Group's Social Responsibility Office in identifying the level of ESG building in the Africa area and in sorting ESG management system improvement documents, participated in ESG management system training, set the direction of ESG development in the Africa area by formulating ESG policies and clarifying ESG issues related to the Company's business, and laid the foundation for planning ESG tasks and schemes for the next three years.

- For due diligence of responsible supply chain for suppliers in Indonesia:

Huayue Company continues to develop the due diligence system of responsible nickel supply chain. Currently, Huayue Company has completed a due diligence via questionnaires for nickel laterite ore suppliers with whom Huayue Company has partnered, required partners to comply with our ESG policy and supply chain code of conduct, and to meet the standards of the policy in terms of human rights, labour rights, ethics, environmental sustainability and responsible mining, etc. In 2022, a third party was invited to conduct an ESG assessment of the major nickel laterite ore suppliers of Huayue Company's project in accordance with international standards. Based on the results of the assessment, the Company monitored the suppliers to make corrective actions as required.

Step 4: Carrying out an independent third party audit

Huayou Cobalt Company actively operates the due diligence system of mining supply chain, actively cooperates with the supply chain audit needs of downstream customers, communicates the existing problems and improvement plans with downstream enterprises and customers, and promotes the comprehensive development of due diligence of responsible supply chain. In 2022, Huayou Cobalt Company accepted the Industrial Management Review (RMI).

Company name: Zhejiang Huayou Cobalt Co., Ltd.
CID No.: CID003225
Company address: No. 18, Wuzhen East Road, Tongxiang City, Jiaxing, Zhejiang Province, China
Assessed raw material: Cobalt
Last RMAP assessment date: July 26, 2022 - July 28, 2019
Assessment period: September 1, 2019 to June 30, 2022
Assessment company: UL
Company name: Quzhou Huayou Cobalt New Material Co., Ltd.
CID No.: CID0032555
Company address: No. 18, Nianxin Road, High-tech Industrial Park, Quzhou City, Zhejiang Province, China
Assessed raw material: Cobalt
Last RMAP assessment date: July 26, 2022 - July 28, 2019
Assessment period: September 1, 2019 to June 30, 2022
Assessment company: UL

Step 5: Reporting the process of due diligence of responsible supply chain

Public reporting is a fundamental responsibility of all stakeholders upstream and downstream in the mineral product supply chain to make the supply chain more responsible, this Report demonstrates our commitment, we welcome your feedback and we encourage all our peers and supply chain partners to engage in due diligence of responsible supply chain to promote green and healthy development of the industry.

In addition, Huayou Cobalt Company is actively involved in global due diligence of responsible mining supply chain events and forums to promote due diligence and

practices of responsible mining supply chain to the industry, and to hear more about experiences and ideas of due diligence of responsible mining supply chain. The work of due diligence is published in the form of an annual report on our website (www.huayou.com).

Step 6: Undertaking implementation projects with stakeholders to address the underlying issues

In 2022, a ceremony was held in the city of Lubumbashi to sign a *Social Responsibility Commitment* between CDM, an African subsidiary, and the communities surrounding the mine, committing to invest US\$4.25 million over the next five years in 25 projects in the local communities, including roads, power supply, water supply, education, healthcare, environment, agriculture and vocational training for local communities, actively assuming its social responsibility for the development of the surrounding communities and trying to play an active role in the building and development of the communities and benefiting the communities where the investment is made.

Grievance Mechanism

Huayou Cobalt Company has established a grievance mechanism and published it on the Company's website at www.huayou.com. At present, any dissatisfaction or suggestion related to due diligence of responsible mining supply chain of the Company can be fed back to us through the following ways. We will analyze, verify and deal with it in time and feed back the relevant treatment results.

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Congo (DRC)

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E-mail: RSE@huayou.com

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Indonesia

Tel: +081223930989/+082198735711

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