



Annual Report of Due Diligence on Cobalt Supply Chain Of Hanrui Cobalt

Year of 2022

Nanjing Hanrui Cobalt Co., Ltd

No. 527 Jiangjun Avenue, Jiangning District,
Nanjing, Jiangsu

HANRUI
COBALT

Annual Report of Due Diligence on Cobalt

Supply Chain of Hanrui Cobalt

Year of 2022

Founded in 1997, Hanrui Cobalt has grown into a multinational based in Nanjing with over 1400 employees (by the end of 2022) in total. 25 years of development has seen a continued expansion in our activities including prospecting copper and cobalt ores, extracting, processing and smelting minerals, producing and selling copper or cobalt-containing products. Its operation will soon cover the production and marketing of products of new materials and new energy.



SUPPLY CHAIN DUE DILIGENCE MANAGEMENT SYSTEM

● Establishment of Management System

Committed to building a “transparent, compliant, ethic-responsible” mineral supply chain, we have engaged in setting up a strong management system to support supply chain due diligence since 2018. Based on Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (“Chinese Guidelines”) and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Edition 3 (“OECD Guidance”), we have set up a management system and adapt it to an ever-changing circumstance by regular review. The set of management documents has been updated to the fourth version.

To effectively control due diligence process on cobalt supply chain, we also created a management committee. Formed with our president, senior management of all subsidiaries, and leaders of concerning departments, the Committee aims at guiding the development of management system, reviewing policies on supply chain due diligence, and monitoring its implementation; allocating necessary resources and coordinating internal and external relations; ratifying annual agenda of supply chain governance, evaluating working performance; resolving grievances or concerns from stakeholders; strengthening communication with stakeholders and publishing annual report on supply chain due diligence. African Affair Department works as secretariat of committee, in charge of implementing management policies, monitoring supply chain risk management and mitigation, responding to grievances or concerns, coordinating internal work, maintain relationship with upstream and downstream actors, and other administrative work.

We have nominated Ms. LIU Yumei as management representative to supervise supply chain due diligence implementation at company level.

● Policy on Supply Chain Due Diligence

Recognizing that there may be risks of significant adverse impacts associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and recognizing that we have the responsibility to respect human rights and not contribute to conflict, we adopt our policy on cobalt supply chain due diligence based on *Chinese Guidelines* and *OECD Guidance Edition 3*. We commit to widely disseminating the policy and supervising sourcing practices of its suppliers. The policy has been published on our official website.

We also drafted or revised a series of policies and rules that complement our existing system, including:

- Policy against forced labor (Revised)
- Policy against Children labor (Revised)
- Anti-discrimination and anti-harassment policy (Newly drafted)
- Labor and Human Rights Policy (Newly drafted)
- Internal Employee Grievance Mechanism (Newly drafted)
- Anti-fraud and Whistle-blowing Rules (Revised)
- Occupational health and safety-related Rules (Revised)
- Rules on Funds Management (Revised)

● **Supplier Management**

Any supplier related to cobalt-containing products constitutes a critical part in our cobalt supply chain governance. We expect that our suppliers respect international laws and regulations as well as industry requirements, improve its compliance performance, and reinforce due diligence to minimize the risks that may appear in supply chain. We thus adopt Supplier Code of Conduct which specifies our expectations and requirements to our suppliers on human rights, transparency, environment protection and occupational health and safety, and ask them to flow down these requirements through their supply chain.

We also drafted Supplier Management in Responsible Sourcing Procedure to specify how to make our suppliers in compliance with our requirements and expectations on supply chain due diligence.

● **Documentation procedure**

All the documents and recordings related to supply chain due diligence must be archived for 05 years. Qualification documents of suppliers and correspondence with them are all archived and updated regularly.

● **Relations with various stakeholders**

In 2022, we participated in multiple industry trainings and conferences and played an active role in formulating industrial standards. As member of RCI, we reviewed the draft of Grievance and Negotiation Mechanism of Mineral Supply Chain Due Diligence and expressed our suggestion on it.

● **Grievance mechanism**

To enhance communication and collaboration with affected communities, upstream and downstream actors in the supply chain, competent authorities, NGOs, media and other relevant

parties, and to respond to their concerns timely and effectively, we have established, based on principles of “honesty, trustworthiness and responsibility”, the Grievance Mechanism for Due Diligence on Responsible Mineral Supply Chain, serving as a dialogue and consultation platform to continuously improve our supply chain governance and transparency. This mechanism is publicly available on our official website.

Any grievance or concern raised in good faith and based on facts contributes to strengthen our supply chain governance capability. We thus encourage such voices and protect conscientiously appellants’ rights and interests. We guarantee their right to know by informing validity of their grievances and resolutions. Any retaliation against appellant is prohibited.

Any complaint or concern should be reported preferably to our African Affairs Department by email or letter. You can fill out the Grievance Sheet by referring to our Grievance Mechanism. Confirmation of receipt may be delayed when it is voiced through other channels. We will launch investigation upon confirmation and respond to you promptly.

Please send email to csr@hrcobalt.com, or send letter to the person in charge of African Affairs Department with address below:

Company name: Nanjing Hanrui Cobalt Co., Ltd

**Address: No.527, Jiangjun Avenue, Jiangning District,
Nanjing City,
Jiangsu Province**

RISK IDENTIFICATION AND ASSESSMENT

● Internal material control and transparency system

We use ERP to manage internal material flow. ERP (Enterprise Resources Planning) is a system that integrates management of production, finance, stock, logistic, supply and sales, covering all the links in supply chain. It can register all statistics from raw material entering warehouse to final products getting out of warehouse and show internal material management in a comprehensive and reliable manner, which contributes to improve the transparency and help us identify possible risks in our supply chain.

● Risk Category

We identify and assess the risks figured in the Annex II of OECD Guidance and Category I of Chinese Guidelines.

● Risk identification and assessment

To get a whole picture of supplier information including identity, qualification, beneficiaries, business legitimacy, we conduct screenings of our suppliers by asking them to fill out KYS Questionnaire, make supply chain mapping and reply to responsible mineral checklist. We made crosschecked their replies with UN sanction lists, and updated Supplier Profiles. Terms on supply chain due diligence are also incorporated into commercial contracts signed with qualified suppliers. In the year of 2022, we developed different KYS questionnaires based on the type of suppliers and the possible risks that associate with their operations, which involves supplier of materials, logistics and security service.

We use CAHRAs identification procedure to evaluate whether countries or areas where our supply chain covers are conflict-affected and high-risk ones to identify red flags and to see whether to take steps to reinforce due diligence management. According to our CAHRAs identification procedure, a country will be preliminarily assessed from three dimensions (conflict, governance, and human right) with resources listed below. Country list of DFA1502 and that of EU CAHRAs are also part of assessment criteria.

DIMENSION	RESOURCES
Conflict	Heidelberg Barometer of Global Conflict
Governance	Fragile States Index by Fund for Peace
Human rights	UN Human Development Index
Other	Ten countries listed in DFA1502
reference	List of CAHRAs by EU

If a country scores up to or over the threshold, we will collect more information on specific areas to know whether they, which our supply chain involves, are affected by issues related to resources. Information sources include but are not limited to (1) Information publicly available; (2) On-the-ground assessment report; (3) Reports from medias and NGOs.

Through the information collected, we will check whether the red flags are triggered and decided whether we do reinforce due diligence or not. Then we make risk assessment by rating their possibility and severity.

RISK MANAGEMENT ON SUPPLY CHAIN

● Risk Mitigating Strategy

Our risk mitigating strategy is made up of three methods based on the results of risk assessment:

- A. When risk is low and can be managed, we continue business transaction with our supplier during risk mitigation.
- B. When risk is higher and requires specific efforts, we suspend transaction with our supplier during risk mitigation.
- C. When risk is extremely high and remains uncontrollable despite reasonable efforts, we discontinue the engagement with our supplier.

● Risk Management Plan

Based on the method selected, we make the risk management plan traceable and measurable quantitative and qualitative indicators. Evaluation on its effects will be made every 06 months of implementation, or where applicable, an added assessment will be conducted.

We encourage suppliers and stakeholders affected to engage in the elaboration and implementation of our risk management plan. Only when upstream and downstream actors respond collectively to risk management or mitigation can be built a real transparent and responsible mineral supply chain.

INDEPENDENT THIRD-PARTY ASSESSMENT

We participate proactively in industrial third-party audits to improve our supply chain due diligence management.

In October 2022, Anhui Hanrui New Materials Co., Ltd. passed a third-party audit.

PUBLIC REPORT

We publish annual report on supply chain due diligence since 2020. Those reports can be consulted from our official website.

SOCIAL RESPONSIBILITY

In 2022, we kept close contact with the communities in which our businesses operate and carried out social responsibility projects in response to their needs and concerns. Our CSR projects in this year involved agriculture, healthcare, protection of women's and children's rights and

interests, and ecology in hope of promoting mutual prosperity between the communities and our businesses.

- **Church Delivery**

Hanrui Cobalt has donated a church to the village of KAMIMBI where its operations impact. The whole project took almost 10 months and was officially delivered in June 2022.

- **Supporting Agriculture to End Hunger**

Affected by drought and war, the price of seeds and fertilizers is high in 2022. In order to have no delay in the farming season, Hanrui Cobalt donated seeds and fertilizers to people in the surrounding communities to support local agricultural production.

- **Donating medical equipment and materials to enlarge medical resources.**

In the year of 2022, Hanrui Cobalt donated medical equipment and materials to the newly built local community hospital, which improves the access to health care for community residents.

- **Empowering women by family planning training**

When communicating with the local community, we found that due to the lack of knowledge about contraception, many families are overwhelmed by the burden of parenthood and are trapped in poverty. The insufficiency of medical care worsens the situation, leading to a high maternal mortality rate (ranked sixth in the world). Together with the local municipal department of Gender and Family Affairs, we offered a three-day family planning training to nearly 100 families in the community to help them decide when to have children and how many children to have, thereby improving women's health and helping them move out of the home and into the workplace.

- **Visiting orphanage to improve well-beings of marginalized children**

We donated living materials and school supplies to the largest orphanage of the city to improve the living conditions of the children there and help them return to the school. In addition, we also launched a campaign on goods donation for them in China. Children in China donated clothes and toys they no longer needed, helping those in need while giving old things a second life. The campaign is in line with the concept of recycling that features a low-carbon and environmental-friendly lifestyle.

- **Planting trees to improve local ecosystem**

In November 2022, which coincides with National Tree's Day of DRC, we donated 2,000 seedlings of local tree species to the city where our company is located and organized a tree-planting activity after communicating with local competent authorities and their technicians. This project aims to help restore the vegetation, respond to climate change, and enhance the local ecological adaptability.

Committee of Cobalt Supply Chain Due Diligence

Nanjing Hanrui Cobalt Co., Ltd

June 2023