

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

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## Year of 2021

Nanjing Hanrui Cobalt Co., Ltd

No. 1689 Shuanglong Avenue, Jiangning District,  
Nanjing, Jiangsu

**HANRUI**  
COBALT

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

## Year of 2021

Founded in 1997, Hanrui Cobalt has grown into a multinational based in Nanjing with over 1400 employees (by the end of 2021) in total. Nearly 25 years of development has witnessed 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. The production and marketing of products of new materials and new energy will be covered soon.

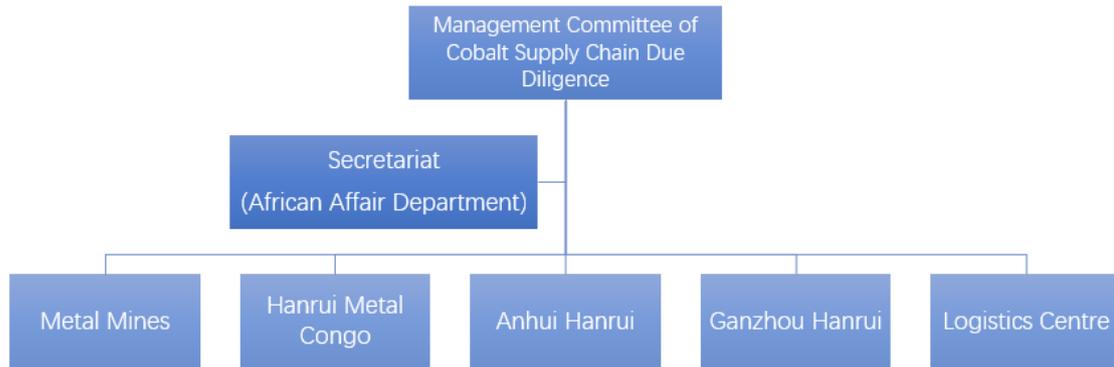


## **STRONG MANAGEMENT SYSTEM TO SUPPORT SUPPLY CHAIN DUE DILIGENCE**

### ● **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 established 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.

- **Management of Supplier Conduct**

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, improves its operation compliance, and reinforce due diligence to minimize the risks that may appear in supply chain. We thus adopt *Supplier Code of Conduct* and *Supplier Standard* which specify 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.

- **Documentation procedure**

All the documents and recordings related to supply chain due diligence must be archived for at least 5 years in accordance with Chinese Guidelines and OECD Guidance. Qualification documents of suppliers and correspondence with them are all archived and updated regularly.

- **Relations with various stakeholders**

We not only communicate regularly with upstream suppliers but also respond to investigation launched by our customers on our supply chain and submit cobalt report as per required.

We participate in multiple industry trainings and conferences and play an active role in formulating industrial standards. In 2021, as member of RCI, we screened the draft of *ESG Management Framework on Cobalt ASM* and expressed our concern on ASM governance.

- **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](mailto:csr@hrcobalt.com), or send letter to the person in charge of African Affairs Department with address below:

31F, Kingfine Center, No.1689 Shuanglong Avenue, Jiangning District,

Nanjing City,

Jiangsu Province

## **RISK ASSESSMENT OF SUPPLY CHAIN**

- **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 reflects 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.

We have also a robust management system of fund which can prevent corruption at company level. All the documents related to transport, procurement, production, sales are duly archived.

OHS is also a part of our supply chain due diligence because of cobalt's property.

- **Risk Assessment of suppliers**

To get a whole picture of supplier information including identity, qualification, beneficiaries, etc., and evaluate business legitimacy of suppliers, we conduct KYS screenings of our suppliers by asking them to fill out KYS Sheet, make supply chain mapping and reply to responsible mineral checklist. Among all the suppliers receiving our request, 100% of them replied to our investigation. 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 2021, we added to our KYS survey template a survey on beneficiary shareholding more than 25% and took plant visits to some suppliers to amass knowledge about their due diligence performance on supply chain. A report where Observed Non-Conformity were listed was issued after our visit and we asked supplier to take corrective actions to eliminate non-conformities.

These information collecting measures can effectively prevent supplier-related risks and help to identify red flags. Based on which, we will decide whether to reinforce due diligence or not.

- **Risk Assessment of Supply Chain**

We use CAHRAs identification procedure to evaluate, where applicable, whether countries or areas where our supply chain involves are conflict affected and high - risk ones so as to identify red flags and 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 evaluation criteria. Resources used for each dimension are listed in following chart:

DIMENSION	RESOURCES
CONFLICT	Heidelberg Barometer of Global Conflict
GOVERNANCE	Fragile States Index by Fund for Peace
HUMAN RIGHTS	UN Human Development Index
OTHER	10 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 on RMI official website; (2) On-the-ground assessment report; (3) Reports from independent medias; (4) Reports of NGOs. With information of internal material control, CAHRAs list as well as risk assessment of our suppliers, we make risk assessment of our supply chain to confirm risk category and level.

## **RISK MANAGEMENT ON SUPPLY CHAIN**

### ● **Risk Mitigating Strategy**

Our risk mitigating strategy is made up of three methods depending on risk category and level:

- 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. Another assessment will be made after 06 months of implementation to ensure the mitigation effect, or where applicable, an added assessment will be conducted.

We encourage suppliers and stakeholders affected to engage in making our risk management plan and implement it. Only when upstream and downstream actors respond collectively to risk management or mitigation can be built a real transparent responsible mineral supply chain where there is no human rights risk.

## **INDEPENDENT THIRD-PARTY ASSESSMENT**

- **Anhui Hanrui**

Anhui Hanrui New Materials Co., Ltd participated in the Responsible Mineral Assurance Procedures (RMAP) audit conducted by UL, third-part audit company authorized by RMI, in the middle of December 2021. Anhui Hanrui was thus automatically on the active cobalt smelter list of RMI. Please consult *Annual Report on Supply Chain Due Diligence of Anhui Hanrui* for more details.

- **Metal Mines**

Metal Mines received a third-party assessment conducted by RCS with authorization from Benz in 2021.

## **PUBLIC REPORT**

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

## **SOCIAL RESPONSIBILITY**

We take an active part in local community development to improve people's livelihood. Projects for public welfare and charitable activities conducted by us in 2021 include:

- **Constructing Water Wells.** We constructed a water well with solar pumps for KAMIMBI village in Kolwezi, and a water point for residents of bloc KAMIKAZE in Likasi, which facilitated their access to fresh water.



Water well with solar pumps for KAMIMBI



Water point for community KAMIKAZE

- **Financing Road Maintenance.** We brought continued financial support to local road maintenance to ease daily travel.
- **Offering Crop Seeds and Chemical Fertilizer.** Every year, we offer residents crop seeds and chemical fertilizer to help them improving livelihood.
- **Donating School Supplies and Financing Students.** We donated learning equipment and school supplies to schools in local communities and financed underprivileged students to ensure that they will not be deprived of education due to absolute poverty.
- **Constructing a church.** We planned to build a church for KAMIMBI village. Design of the church and invite bids for the project have been done in 2021 and the construction is expected to be accomplished in the first half of 2022.

