

Due Diligence Report of Responsible Mining Supplier Chain

2022

Jingmen GEM Co., Ltd. (hereinafter referred to as "Jingmen GEM" or "we") recognizes that the company may incur significant social and environmental risks in the course of engaging in operational activities such as mining, trading, processing and exporting of mineral resources in conflict-affected and high-risk areas, and has an obligation to respect human rights, not to contribute to conflict, and a responsibility to eliminate and manage the associated risks. While satisfying its own social responsibility construction, the company continuously enhances the social responsibility management of the corporate supply chain, and at the same time requires suppliers to jointly fulfill their corporate social responsibility. We provide our suppliers with a clear code of conduct that requires them to comply with labor laws and high professional standards, due diligence management requirements, and to safeguard the legal compliance of raw materials and products, which ultimately leads to the harmonious development of the economy, society and the environment. The information and data in this report mainly cover the company's supply chain due diligence activities from January 1, 2022 to December 31, 2022. Based on the continuity of the report, parts of the content and data are appropriately traced back to other important years, not limited to 2022.

1. Company Profile

1.1 Company Information

Company Name: Jingmen GEM Co.,Ltd
Address : No3. Yingchun Avenue , Hi-Tech & Duodao District, Jingmen City ,Hubei, China
CID No. :CID003378
Accessed raw material : Recycled Material and Crude Cobalt Hydroxide
Annual RMAP audit date : 2022.07.11
Audit Period : 2019.12.01-2022.05.31
Assessment company: UL

1.3 Company Introduction

Jingmen GEM Co., Ltd. registered capital of 6.895 billion RMB which is a wholly owned subsidiary of GEM Co.,Ltd (hereinafter referred to as "Group" "GEM") (SZ002340).

Jingmen GEM has been recognized as the national circular economy education Demonstration base, the national "City Mineral" demonstration base, the National Ministry of Industry and Information Technology Green Factory, the National primary and secondary school environmental education social practice base, the national high-tech industrialization demonstration project, the national technological innovation demonstration enterprise, the national intellectual property demonstration enterprise, postdoctoral research workstation, academician expert work The station, the circular economy Pilot Enterprise in Hubei Province and the Demonstration Base of ecological civilization construction in Hubei Province are among the top ten private enterprises in the manufacturing industry in Hubei Province, and have made significant contributions to practicing China's green development concept and fulfilling social responsibilities.

Jingmen GEM is mainly engaged in the recycling and reuse of waste resources such as waste batteries, waste cobalt and nickel resources and electronic waste, recycling 25 kinds of scarce resources such as cobalt, nickel, copper, tungsten, gold, silver, palladium, rhodium, germanium, indium, rare earth, etc. The annual recycling and treatment of small waste batteries accounts for more than 10% of China's total, and the annual recycling of tungsten resources accounts for 5% of China's original tungsten mining. The annual recovery of cobalt resources

exceeds the original cobalt mined in China, and the recycled cobalt-nickel material has become the mainstream raw material of the world's power batteries, making positive contributions to the development of China's recycling society, and is a geographical indicator of the development of China's circular economy, which has received significant support from the state and governments at all levels.

2. Supplier Chain Due Diligence Policy

To avoid the use of conflict minerals that directly or indirectly finance or benefit armed groups and/or are involved in other serious human rights violations in conflict-affected and high risk areas, GEM has established the <GEM Responsible Global Supply Chain Due Diligence Policy> and <Supplier Standards for Responsible Sourcing>. Which have been widely disseminated to stakeholders (suppliers, customers, employees, etc.) and is available on GEM website : <https://www.gem.com.cn/uploadfiles/2021/02/20210208134140713.pdf>

3、 Mineral supply chain due diligence management standards

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

1. <The Organization for Economic Development and Co-operation Due Diligence Guidelines on Responsible Supply Chains for Minerals from Conflict-affected and High-risk Regions> (Version3.) (the OECD Guidelines);
2. China Responsible Mineral Supply Chain Due Diligence Management Guidelines (Version2.) (referred to as the "China Guidelines");
3. <Cobalt Refinery Supply Chain Due Diligence Standard> jointly prepared by the Responsible Minerals Initiative (RMI) and the Responsible Critical Minerals Initiative (RCI);
4. United Nations Guiding Principles on Business and Human Rights.

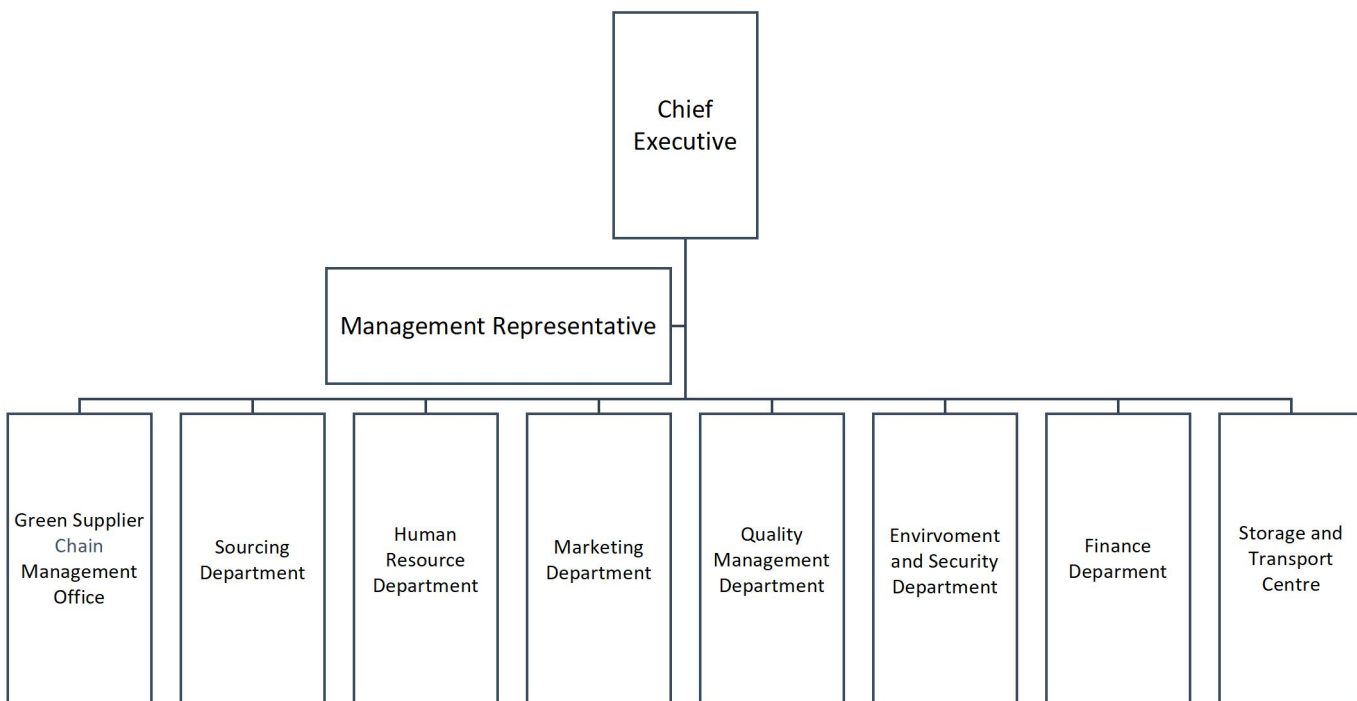
4、 Due diligence management system

Since 2019, Jingmen GEM has gradually carried out the construction of responsible mineral supply chain management, and implemented systematic supply chain due diligence management in accordance with the OECD guidelines and China Guidelines, as well as the five-step framework of the cobalt Refinery supply chain due

Diligence Management standard.

1st Step Establish a complete due diligence management system

The company has established a responsible mineral management system organization structure. Responsible mineral supply chain management departments include: Raw materials department, Quality management Department, Security department, Environmental protection department, Administration and Personnel department, Storage department, Sales department and employee representatives. The management representative is appointed to supervise the implementation of due diligence management, and the International Green Supply Chain Management Office and Procurement Department are responsible for the daily work of nickel and cobalt supply chain. The organizational chart is as follows:



The company has established the responsible mineral supply chain due diligence management manual and related procedural documents, implemented the supply chain due diligence management in a streamlined, standardized and standardized manner, distributed the documents to all departments, and conducted due

diligence management system training for key personnel of relevant departments every year as required.

The company re-established the mineral supply chain due diligence management procedure document and issued it to all departments of the company, and regularly implemented training to improve the awareness of due diligence management of all staff.

When selecting suppliers, the company will not only consider business, technology, quality, legal affairs, but also take "responsible sourcing" and other "compliance" into consideration. When signing procurement agreements with suppliers, the company will also include the requirements related to supply chain due diligence management into the agreement, hoping that suppliers can enhance the "transparency" of their supply chains and establish chain of custody or traceability systems to all work to build a responsible mineral supply chain.

The company has established the Complaint Mechanism and conducts complaint management in accordance with the requirements of the Complaint Mechanism. The email address for complaints of the company is csr@gem.com.cn.

The company carries out annual management review related to due diligence management of mineral supply chain, reviews the rationality and effectiveness of the construction of the company's due diligence management system and the performance of due diligence management, puts forward suggestions and suggestions for improvement, and the leaders of the company's responsible management system report to the management

2nd Step Identify and evaluate supply chain risks

1. Establish and implement a risk identification, assessment and response system, a conflict-affected and high-risk Area (CAHRA) identification and management system, and a procurement and supplier management system to manage all raw materials containing cobalt and nickel into the company in accordance with the requirements of the due diligence management policy. Mainly through:

i) KYS questionnaire survey

Updated the "Know Your Supplier Questionnaire (KYS)" for mining due Diligence questionnaires to send upstream suppliers a "Know Your Supplier" due Diligence questionnaire (KYS) for information on supplier compliance, raw material sources, shipping and responsible sourcing practices.

ii) The management of the identification of conflict-affected and high-risk Areas (CAHRAs) has been established

From the perspectives of armed conflict, human rights, government governance and occupational health and

safety, the country of origin of raw materials is assessed whether it is a high-risk country or region by identifying the country of origin and the country of transport. The main tools include:

- US Dodd-Frank Act
- CAHRA List of EU Conflict Minerals Regulations
- UN sanctions list
- Heidelberg Conflict Barometer index vn
- Global Corruption Perceptions Index
- Human Development Index

3) Conduct supplier risk assessment by searching the Responsible Minerals Initiative website (RMI), NGO reports, social media reports and other channels to identify negative information and reports of raw material suppliers and assess whether there are supply chain risks.

4) Invite participants in the supply chain, especially core suppliers, to participate in the third-party independent audit and certification of the supply chain due diligence management system. If the supplier has conducted an independent 3rd party audit and it is still valid, the Company invites the supplier to provide a summary of the audit report and corrective actions, and to follow up on the rectification process.

2. Results of risk assessment

Jingmen GEM will sort out and summarize the risks identified in various ways, formulate a risk assessment for each supplier, and communicate the corresponding risk situation with the supplier, and jointly establish feasible improvement actions. Jingmen GEM suppliers are large mining companies and refineries at home and abroad, in addition to some recycling materials. In 2022, the company implemented due diligence for all of its suppliers throughout the due diligence process.

The main risk identification scenarios are as follows:

Supplier	Source of Raw Material/Product	Risk issue
Agent	Large-scale merchandised mines	Source from LSM which occupational health and safety management is not perfect, the security management is not good

Smelter/Refiner	Large-scale merchandised mines	Manufacturer's own responsible management information is not perfect; LSM occupational health and safety management is not perfect, the security management is not good
Recycle Materials	Scrap batteries	Low risk, the original source may be inaccurate (Basically identified as LSM source)

3rd step Develop and implement risk mitigation measures and policies for the identified risks

Our risk mitigation strategies include: 1). Continue trading in the process of risk reduction ; 2). Suspend trading temporarily in the process of risk reduction; 3). If risk reduction fails, or the risk is unacceptable, terminate the trade.

According to the investigation of the source of mineral resources of the company's suppliers, the main source of nickel ore is low-risk areas, and the main source of cobalt ore is CAHRAs area. At present, we have communicated with the relevant suppliers of the raw materials we purchased as follows:

- i. In order to enhance the collection of information related to the source of raw materials from suppliers, GEM will add it to the contract evaluation process of raw material procurement to ensure direct communication with suppliers on due diligence management, and conduct comprehensive risk assessment on mining, transportation and other aspects of the supply chain, and formulate corresponding risk mitigation measures. At the same time, the company's supply chain due diligence management system has formulated an annual work supervision form, made an overall plan for the supplier list, supplier review, mine rectification records, organization of stakeholder training, and risk mitigation work, and continuously urged the raw material procurement Department and other relevant departments to carry out their work in accordance with the annual work plan formulated by the headquarters in 2022 and provided regular feedback records. Ensure the implementation of responsible mineral supply chain due diligence procedures.
- ii. Invite and supervise suppliers in the supply chain to run their due diligence management system, and suggest them to conduct independent third-party audit of the operation effect of the system, and Jingmen GEM will continue to track and supervise the audit results, especially the rectification of

non-conformance items.

Assessment of the results of risk mitigation measures and policy implementation

At present, most of the suppliers with risks in the cobalt supply chain have actively participated in the RMAP audit and actively implemented the Corrective Action Plan(CAP). Some suppliers have passed the independent third-party audit of RMI, and the corresponding risk levels have been reduced to low risk and acceptable.

4th step Independent third-party assessment and audit and on-site assessment

Jingmen GEM actively responds to responsible mineral due diligence requirements and participates in 3rd party audits to meet stakeholders' expectations for compliance and transparency in the responsible mineral supply chain. In 2022, the company participated RMAP (Responsible Mineral Assurance Program) audited by RMI one time and participated in the responsible mineral supplier chain audit by customers 5 times. At the same time, GEM was invited to Africa for a field trip, had visited and assessed part of the mines in our supply chain during these period.

5th Step Report on the supply chain due diligence process and results

The company will disclose the report on supply chain due diligence management in the form of annual report on the company's official website, and the relevant information of supply chain due diligence management has been published on the company's official website.

Closing remarks

While improving itself, the company continues to pay attention to the latest requirements of supply chain compliance, continuously strengthens communication with upstream and downstream enterprises, shares and reports the experience and progress of supply chain due diligence management with relevant parties, and works with relevant parties in the industry to carry out due diligence management and build a more sustainable and healthy supply chain due diligence management mechanism. We sincerely welcome suggestions from



stakeholders on the responsible management of our mines.

Jingmen GEM Co.,Ltd

Green Supplier Chain Management Office

Sep. 2023