

*Report of Due Diligence  
of  
Responsible Cobalt  
Supply Chain 2021*



2021 1 1 2021 12 31

2021

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, 2021 to December 31, 2021. Based on the continuity and contrast of the report, some data and information are not limited to the year of 2021.

RMI

RCI

This report is compiled with reference to

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(hereinafter referred to as and

),

of the Responsible Minerals Initiative (RMI) and the Responsible Cobalt Initiative (RCI). This report meets the requirements of , and

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The Company follows the principles of stakeholder participation and sustainable development background in and , expounds the Company's due diligence management in accordance with the "five-step method" under , and focuses on the compliance and performance of the Company's due diligence of responsible cobalt supply chain.

The report is released once a year in online version. The online version can be found on our website (website: ).

“ ” “ ”

“CDM”

“MIKAS”

In this report, Zhejiang Huayou Cobalt Co., Ltd. is referred to as "Huayou Cobalt Company" or "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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# ENVIRONMENT



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2002

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Zhejiang Huayou Cobalt Co., Ltd. was founded in 2002, focuses on the R & D and manufacturing of new energy lithium battery materials and cobalt new materials and is committed to becoming a global leader in new energy lithium battery materials. With the mission of creating value for the customers and leading industrial development, the Company is committed to the transformation route of controlling resources in upstream, expanding market in downstream and improving capacity in mid-stream. The Company adheres to the development strategy of new energy lithium battery materials and cobalt new materials; high end products, industrial integration and internationalization of operation.

2021

The Company is headquartered in the Economic Development Zone of Tongxiang City, Zhejiang Province. The Company has worked deeply in China, and has set up production and manufacturing bases in Tongxiang City and Quzhou City of Zhejiang, Yulin City of Guangxi, Tianjin and Chengdu, actively expands overseas resources: copper and cobalt resources development in Africa, nickel resources development in Indonesia, lithium resources development in Argentina and Africa. In 2021, the Company successfully acquired Tianjin B &M Science and Technology Co., Ltd. and Chengdu B &M Science and Technology Co., Ltd. (the leading cathode material manufacturers in China), and just accelerates the penetration into the cathode chain.

With development of 20 years, the Company has completed the spatial layout with its headquarter in Tongxiang, oversea resource guarantee, manufacturing base in China and market in the world. The Company has formed a business segment of resources, new materials, new energy and recycling, and created a new energy lithium battery industry ecology covering the development and smelting of cobalt and nickel resources, the deep processing of lithium battery cathode materials and the recycling of resources. At present, the production capacity of cobalt products of the Company ranks first in the world.

As an important participant in the new energy lithium battery material industry, Huayou Cobalt Company adheres to the development concept of innovation, coordination, green, openness and sharing, attaches great importance to corporate social responsibility governance and sustainable development, and also attaches great importance to the due diligence of responsible minerals supply chain.

The Company starts with building its own corporate social responsibility management system, and constantly improves the requirements for mineral cooperative suppliers. From the transmission of basic documents such as basic minerals supply chain policies and supplier code of conduct, the filling of corporate social responsibility checklist to the on-site audit of key and core suppliers, the Company has gradually improved the corporate social responsibility management system of minerals supply chain in order to contribute to the sustainable development of the industry.

The Company's due diligent of responsible minerals supply chain takes cobalt products as the starting point. As one of the important metal materials in the production of lithium batteries, cobalt occupies a very important position in the process of global green transformation. Congo (DRC) owns more than two-thirds of the global cobalt resources, highlighting the importance of this country as a source of cobalt ore. However, due to the



backwardness of politics and economy, human rights risks and poverty are widespread in Congo (DRC). Whether the purity and sustainability of the Company's cobalt supply chain can be guaranteed is crucial to the sustainable development of the whole industrial chain and winning the trust of customers.

OECD

According to \_\_\_\_\_ and \_\_\_\_\_, there are risks caused by fairly high and negative impacts in mineral mining, trading and processing activities, such as human rights risks in the mining process or risks of fuelling and aggravating conflicts such as financing conflicts. The minerals supply chains of enterprises are linked and interconnected. Therefore, the minerals supply chains of enterprises may face various risks. Even if the production links of the supply chain are scattered and the enterprise is located in an independent position, it is still impossible to completely avoid the direct or indirect negative impact on all links of the mineral industry. Therefore, enterprises shall take reasonable measures and strive to carry out due diligence management, so as to identify, prevent or mitigate any negative impact risks related to mineral mining conditions and supplier relations in conflict-affected or high-risk areas.

2021

KYS

In 2021, Huayou Cobalt Company continued to carry out due diligence of responsible cobalt supply chain in accordance with the six-step framework and due diligence management procedures, and the building of responsible cobalt supply chain has moved

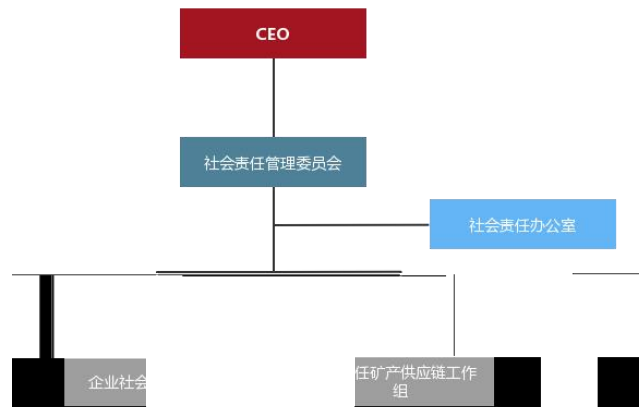


forward steadily. The corporate social responsibility office cooperates with the procurement management department to carry out mineral product awareness education for suppliers and convey due diligence management policies and requirements. At the same time, the Company's quality control department, raw material procurement department and other departments cooperate with the colleagues of the social responsibility office and other relevant departments to conduct site evaluation on key suppliers. The Company evaluates and analyzes the information collected by Know Your Supplier (KYS) and network platforms, evaluates the risk with the supplier risk evaluation form, communicates the corresponding risk situation with the supplier, jointly establishes practical improvement actions, and then reports the risk and risk mitigation plan to the Company's leaders for approval.



Establish a perfect due diligence management system	Risk identification and evaluation of supply chain	Formulate risk mitigation plan of supply chain	Conduct independent third-party audit	Report the process of due diligence of responsible supply chain	Carry out project implementation





CEO

Social Responsibility Management Committee

Social Responsibility Office

Corporate Social Responsibility Working Group

Responsible Minerals Supply Chain Working Group

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OECD

The supplier shall maintain a responsible transparency policy, especially in dealing with relevant minerals (including tantalum, tin, tungsten, gold, cobalt, etc.) from high-risk areas and countries. Huayou Company recognizes that there are risks that may have a significant negative impact when engaging in mineral mining, trading, processing and export in high-risk areas, and that we have the obligations to respect human rights and



have no negative impact on society. Huayou Company has established the policy for due diligence in responsible cobalt supply chain in accordance with the requirements of and , which shows Huayou Company's determination to carry out due diligence management and shows Huayou Company's attitude and measures to deal with various risks. Huayou Company will widely po in da suppliers' responsible procurement from high-risk areas.

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Huayou Company always sets high standards for itself when conducting business, including following relevant laws and regulations in the field of corporate social responsibility. Accordingly, Huayou Company has the same expectations for suppliers. Therefore, Huayou Company has established , 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 Company will consider these terms as part of its supplier screening, and

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

If the supplier violates the Code or the Standard, or its direct or indirect sub-supplier is deemed to have violated the Code or Standard, Huayou 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 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 Company's requirement.

Risk identification and evaluation is the basis of due diligence management. Through the identification of supply chain, raw material source and transportation path, the risks existing in the supply chain are determined and the risk level is evaluated. Therefore, Huayou Company has established work processes and systems related to risk identification to identify and evaluate risks:

Sending and collection  
of KYS

Step 01

Step 02

Step 03

Step 04

CAHRAs  
Establish CAHRAs  
procedure docum



out due diligence of responsible cobalt supply chain in accordance with the requirements of due diligence management procedures. With the help of procurement management department and so on, the social responsibility office conveyed the Company's supplier code of conduct for corporate social responsibility and the Company's corporate social responsibility policy to a number of suppliers, and conducted a questionnaire survey on key suppliers. At the same time, the Company evaluated and analyzed the information collected via KYS and network platforms, used the supplier risk evaluation form to evaluate the supplier risk, communicated the corresponding risk situation with the suppliers, jointly established practical and feasible improvement actions, and formulated the risk evaluation report.

2.

RMI

CAHRAs

RMI

2. procedure documents have been established to evaluate whether the raw material source country is a high-risk country and region by identifying the raw material source country and country(ies) along transportation route. According to the reference materials provided by RMI: the Company updated the CAHRAs identification procedure and analyzed the human rights and freedom index, corruption perception index and Heidelberg barometer index required by RMI standards for the countries passing through.

3.

3. Inquiry was conducted through the Internet and other channels to identify the negative information and reports of raw material suppliers, and evaluate whether there are supply chain risks.

4.

4. Site visit was conducted to know the on-site management and control of mineral materials by suppliers through site visit.

5.

5. Suppliers were invited to conduct third-party audit on their supply chain. The Company has signed a long-term agreement with an independent third-party company to independently audit all participants in the Company's supply chain map. Of course, if the supplier has a third-party audit that is still valid when the Company is carrying out due diligence management, the Company will invite the supplier to provide the summary of the report and rectification measures, and the rectification process will be tracked.

	LSM
2021	LSM

The suppliers of Huayou Cobalt Company mainly include large scale mines (LSMs) and traders. In addition, there are some recycled materials. In 2021, in the whole process of due diligence management, the Company carried out due diligence management for LSMs, international traders, domestic traders and recycled materials. The main risks are identified as follows:

Traders	LSM	The lack of information provided by traders on the regulatory chain makes it difficult for the traceability of the supply chain
/ Refinery/smelter	LSM	The manufacturer's own due diligence management materials are not perfect, and some of them have not carried out supply chain audit
Recycled material	Waste batteries, leftover materials and nonconforming products	LSM The risk is small, and there may be inaccurate sources of raw materials (basically identified as LSM sources)



The main risk evaluation and mitigation are described as follow:

- LSM
- Strengthen the development of the Company's own mechanized mines (LSM). Huayou Company manages in strict accordance with the requirements of due diligence management, and conducts mechanized mining. Child labor is not allowed to enter the mining area. At the same time, the Company controls human rights violations, occupational health and safety, and constantly improves the on-site environment, the risk is relatively small.

- OECD
- Increase the purchase of cobalt recycled materials. According to the requirements of , the purchase is increased through effective identification of recycled materials or wastes, and the risk is relatively small.

- LSM KYS
- Strengthen due diligence management of cobalt raw materials purchased from mechanized mining (LSM). Through KYS (Know Your Supplier) and other documents, information is collected and evaluated, the cobalt suppliers through mechanized mining generally have their own mines, and mine mineral materials through mechanized means, have their own policies on human rights, occupational health and safety, environment and other aspects. The management of the mining area is relatively good, and the risks of child labor and human rights violations are relatively small.

- LSM

LSM

- Traders include international traders and domestic traders. International traders mainly purchase mineral materials from LSMs. They have their own policies and management on human rights, occupational health and safety, environment and other aspects, and the risk is relatively small. Some domestic traders come from LSMs and some from smelters. For domestic traders, it is mainly to know the source of mineral materials and ensure that there are no relevant risks. For suppliers who are unwilling to feed back information and refuse to cooperate with the audit (such supplier is information-opaque supplier), Huayou Cobalt Company will communicate with them and give them an examination period of 3 to 6 months. If they still do not cooperate, the cooperation will be suspended. Huayou Cobalt Company will terminate its cooperation with the suppliers that have significant risks and fail to improve as expected within the specified period.

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- For LSMs through mechanized mining:

Strengthen the collection of information related to the source of raw materials of suppliers. The social responsibility office participates in the contract evaluation process, directly carries out exchanges on due diligence management with suppliers, carries out



risk evaluation on mining, transportation and other aspects, and formulates risk mitigation measures. At the same time, for the supply chain work, the Company has formulated an annual work supervision form, made overall plans and arrangements for the supplier list, suppliers review, mine rectification records, organization of stakeholder training, risk mitigation according to the audit requirements of downstream customers and foreign parties, and continuously urged the raw material procurement department and mining cooperatives to carry out their work in accordance with the supply chain work record form of the headquarters and regularly feed back the records, so as to ensure the procedural implementation of the due diligence of the responsible minerals supply chain. Communication with suppliers is strengthened, site visits to implementation mines are conducted, and audit of due diligence of suppliers is promoted through the industry.

Invite them to operate the due diligence management 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.

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- Suppliers of cobalt from manually mined mines

2017

NGO

ESG

Since 2017 when the Company identified that the cobalt raw materials of some suppliers are cobalt from manually mined mines in Congo (DRC), the Company has spent a lot of manpower and material resources to carry out the standardized project of responsible cobalt from manually mine mines with various stakeholders (local government, manually mined mine associations, cooperatives, NGOs, downstream customers of the industry, etc.). Through on-site control and improvement of the designated manually



mined mine area, it can not only eliminate the risk of serious human rights violations such as child labor, but also gradually improve other ESG risks of manually mined mines.

2020 4

For the sustainability of the Company's business, the Company suspended the use of cobalt from the manually mined mine in April 2020. Even so, the Company continues to invest in the standardized projects in the cobalt manually mined mine demonstration area, and continues to communicate widely with industry stakeholders, hopes to form industry standards as soon as possible and make due contributions to the sustainability of the industry and the improvement of the lives of local people.

2021

Huayou Company actively operates the due diligence management system of cobalt supply chain. Before the industry solution is formally formed, the Company also 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 2021, Huayou Company accepted the third-party audit for the Company's own due diligence management system and the third-party audit entrusted by customers.



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Company name: Zhejiang Huayou Cobalt Co.

With the gradual improvement of the Company's due diligence management system of cobalt supply chain, the non-conformity points recorded by the audit organization are gradually reduced, and the non-conformity points mainly exist as industrial problems, that is, all participants in the enterprise's supply chain need to conduct independent third-party audit. At the same time, the Company actively followed up the rectification plan of non-conformities audited by RMI. In November 2021, the Company officially passed the RMI audit and was incorporated into the list of RMI qualified smelters. Huayou Cobalt Company can pass RMI, this has greatly promoted the whole industry; the raw materials are in the seller's market, and the upper upstream does not cooperate with RMI audit. Huayou Company has striven forward, carried out joint efforts from top to bottom of the supply chain, overcome various difficulties during the epidemic, and finally made a breakthrough and was recognized by the audit organization.



2016

[www.huayou.com](http://www.huayou.com)

The public reporting is the basic responsibility of all stakeholders upstream and downstream of the cobalt supply chain to make the cobalt supply chain more responsible.



This Report proves our commitment. We welcome your feedback, and we are also willing to encourage all our peers and partners to do the same. Since 2016, Huayou Company has actively participated in various global activities and forums of due diligence of responsible cobalt supply chain, promoted due diligence of responsible cobalt supply chain to the world, and published this work on our official website ([www.huayou.com](http://www.huayou.com)) in the form of annual report.

[www.huayou.com](http://www.huayou.com)

With management and practice, the Company also listens to and obtains more experiences and ideas on due diligence of responsible cobalt supply chain. Due diligence management is published on our official website ([www.huayou.com](http://www.huayou.com)) in the form of annual report.

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2018	2019	2020	KAWAMA	KAMATETE
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Huayou Company funded the construction of the solar water wells for KAWAMA and KAMATETE villages in 2018, 2019 and 2020 respectively, which allows the villagers to drink safe and healthy water, greatly improves the water utilization efficiency and solves the problem of water use.

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1. CDM



1. Establish CDM grants, screen students from surrounding schools every year, subsidize their admission fees, help them alleviate their education difficulties and encourage them to continue to study hard;

2.

2. Regularly donate materials to the nunnery school at Kolwezi;

3. LUALABA

3. Provide fund for LUALABA Provincial Education Fund; donate a batch of living materials to the Lukuni orphanage center;

4.

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4. Provide support ☐





[www.huayou.com](http://www.huayou.com)

Huayou Company has established a grievance mechanism and published it on the Company's website at [www.huayou.com](http://www.huayou.com). At present, any dissatisfaction or suggestion related to the due diligence of responsible cobalt 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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