

# 2024 Mineral Supply Chain Due Diligence Report for PT CNGR Ding Xing New Energy

Stand January 2025



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# 1 Background

With the global development of the new energy vehicle and battery industries, EU countries have been continuously introducing and implementing various regulations to protect the growth of their manufacturing sectors. These include Germany's Supply Chain Act, the EU's Corporate Sustainability Due Diligence Directive, the New Battery Regulation, the Critical Raw Materials Act, and the U.S.'s Inflation Reduction Act. These regulations highlight the increasing societal attention and stricter requirements placed on companies' performance in sustainable development and supply chain due diligence management. Indonesia, as the country with the largest reserves and highest production of laterite nickel ore, has become a focal point for due diligence in mineral supply chain management for the new energy sector. It is also a key area of interest for downstream supply chain customers, consumers, NGOs, and other stakeholders. Effectively managing the responsible supply chain of Indonesian nickel ore is crucial for meeting the demands of stakeholders and for the overseas market development of companies in the industry.

The time period covered in this report: December 1, 2023 – December 31, 2024.

## 2 Company Information

Company Name: PT CNGR Ding Xing New Energy

Company Location: Fatufia Village, Bahodopi Sub-district, Morowali Regency, Central Sulawesi, Indonesia (IMIP Industrial Park)

Raw Materials: Nickel, Cobalt

Last Assessment Date: December 6–7, 2023

Assessment Period: July 1, 2023 – November 30, 2023

Assessment Company: CQM Certification Group Co., Ltd.

Report Link:

<https://www.cccmc.org.cn/kcxfzzx/zyzx/bg/ff8080818b809d13018cc2ecd01b31ef.html>

## 3 Mineral Supply Chain Due Diligence Policy & Supplier

### Code of Conduct

To avoid the use of conflict minerals that directly or indirectly finance or benefit armed groups, or involve other serious human rights abuses in conflict-affected and high-risk areas, the company has established the Responsible Global Mineral Supply Chain Due Diligence Policy and the Supplier Code of Conduct, which have been widely disseminated to all stakeholders. The company has updated the Responsible Global Mineral Supply Chain Due Diligence Policy to include environmental

protection and risk management related to resource extraction. In the Supplier Code of Conduct, the company has incorporated the United Nations Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human Rights as reference standards.

Additionally, the company has formulated an ESG Policy and a Human Rights Policy, committing to respect human rights in accordance with the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, and the provisions of the United Nations Global Compact.

Policy Links: <http://www.cngrgf.com.cn/shzr.html>

## **4 Mineral Supply Chain Due Diligence Standards**

PT CNGR Ding Xing New Energy adheres to the following standards for implementing mineral supply chain due diligence:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (3rd Edition) - referred to as the OECD Guidelines
- China's Guidelines for Responsible Mineral Supply Chain Due Diligence (2nd Edition) - referred to as the China Guidelines
- UN Guiding Principles on Business and Human Rights
- UN Voluntary Principles on Security and Human Rights
- Practical Actions for Identifying and Addressing the Worst Forms of Child Labor in Mineral Supply Chains
- All Metal Due Diligence Standards

## **5 Six-Step Due Diligence Framework**

Starting from 2023, the company has implemented mineral supply chain due diligence according to the six-step framework outlined in the OECD Guidelines and the China Guidelines. The company actively communicates the due diligence requirements to suppliers, including mines and smelting plants, along its supply chain.

### **5.1 Establishing a Comprehensive Corporate Management System**

CNGR has established a Board Strategy and ESG Committee in December 2023

to adapt to strategic needs and enhance the company's performance in environmental, social responsibility, and corporate governance (ESG). Under the guidance of the committee, the Sustainability Office is responsible for implementing the company's mineral supply chain due diligence management system.

For PT CNGR Ding xing New Energy, the mineral supply chain due diligence management work is carried out under the guidance of the Sustainability Office, with support and cooperation from relevant departments within Dingxing. The Production Operations Department, Production Management Department, Quality Department, Finance Department, Comprehensive Management Department, Emergency Management Department, and Procurement Department at the headquarters fully cooperate and support Dingxing's mineral supply chain due diligence efforts.



The company has developed relevant procedural documents for mineral supply chain due diligence management and provides training to all members of the organizational structure and other relevant personnel. At the same time, the Sustainability Office has created educational materials on due diligence management, which are distributed to members of the due diligence organizational structure to increase awareness and promote the due diligence process.

The company has established a supply chain control and transparency system for traceability management. The company collects information such as the country and region of origin of raw materials, names and addresses of upstream participants, transportation routes and methods, product names and types of minerals or metals, ownership information of direct suppliers and other known upstream companies, while avoiding cash transactions whenever possible. The company has established an internal material control system to ensure traceability throughout the entire process, from raw material entry to finished product shipment. Additionally, the company has established an inventory management system, conducting monthly inventory checks.

The company has established the Social Responsibility Complaint Management Process and manages complaints according to the requirements of this process. For the complaint channels, please refer to: <http://www.cngrgf.com.cn/shzr.html>

Dingxing held a mineral supply chain due diligence management review in the fourth quarter of 2024, producing a management review report. The review assessed the rationality and effectiveness of the company's due diligence management system and its performance, providing recommendations for improvement. The Sustainability Office is responsible for tracking the progress of these improvements.

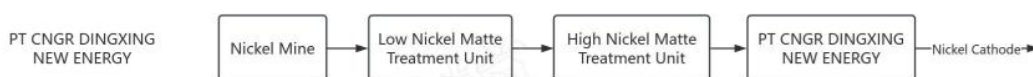
At the same time, the company strongly supports the implementation of transparency or information disclosure requirements set or endorsed by the government of the host country, such as the principles and standards outlined in the Extractive Industries Transparency Initiative (EITI).

All documents related to due diligence management are retained by the company for over five years.

## 5.2 Identification and Assessment of Supply Chain Risks

Implement due diligence management for all nickel and cobalt suppliers. Regularly collect relevant information about suppliers through reliable third-party data, KYS questionnaires, mineral sourcing investigations, on-site assessments, grievance mechanisms, customer feedback, etc. In 2024, the information collection coverage rate for nickel and cobalt suppliers will reach 100%.

Based on the above information, draw the supply chain map:



Assess the impact of conflict and high-risk areas in mineral source regions from three aspects: armed conflict, human rights, and government governance, based on the following tools:

Tools to be used:

- Heidelberg "Global Conflict Barometer"
- Corruption Index
- Amnesty International World Human Rights Report
- Human Development Index
- EU Conflict Minerals Regulation CAHRA List
- Dodd-Frank Act

### **On-site Evaluation:**

In 2024, the nickel procurement team, along with the sustainability management team, visited several nickel mines in Indonesia. During the visit, it was

found that the mine's due diligence management system was not well-developed, with relevant documentation missing. However, no serious human rights violations or armed conflicts were identified, and there were no significant high-risk factors.

### **Risk Identification and Assessment Results:**

All nickel and cobalt materials used in Dingxing's production come from within Indonesia. Based on Dingxing's CAHRAs identification results, Indonesia is not classified as a CAHRA, so no warning signals were triggered for mineral source areas or transit locations, no supplier-related warning signals were triggered, and no alerts for specific circumstances were raised. None of the suppliers in the supply chain were subject to sanctions. Through official public information, KYS questionnaires, mineral sourcing investigations, on-site evaluations, grievance mechanisms, customer feedback, and other means, no instances of torture, cruel, inhuman, or degrading treatment, any form of forced labor, the worst forms of child labor, or other severe human rights violations, violations of international humanitarian law, or direct or indirect support for non-state armed groups, public or private security forces, or other high-risk activities were found in the supply chain. Therefore, it was concluded that the due diligence risk is low.

## **5.3 Develop and Implement Response Policies for Identified Risks**

Overall risk mitigation measures: Continue trading in risk mitigation.

Establish a risk mitigation countermeasure table, communicate with suppliers regularly, track the progress of risks, and suspend or terminate transactions once the risks are found to be in an unacceptable direction and report to the company management. According to the current risk assessment results, although there is no serious risk of human rights violations and child labor among direct employees in our supply chain, we will keep an eye on it and work with suppliers to formulate improvement countermeasures for the establishment and improvement of due diligence management system and the enhancement of awareness, and follow up regularly to jointly monitor and manage risks in the supply chain.

In view of the problems still existing in the supply chain, such as the imperfect construction of due diligence management system in upstream smelters and mines, the lack of due diligence management documents, and the need to improve the awareness of due diligence management. We will take steps to:

- 1) Actively promote the ESG co-construction action of Tsingshan Industrial Park in Indonesia, urge enterprises in the industrial park to enhance their awareness of due diligence management, build a sound due diligence management system, jointly



improve ESG performance, and promote sustainable development of the industrial park;

2) Actively promote Indonesia Tsingshan Industrial Park's due diligence management and collection of chain of custody documents for upstream mines, and strengthen the supervision and management of mines.

## **5.4 Independent Third-Party Evaluation and Auditing**

The Sustainable Development Office and Dingxing ESG Team form an internal audit team, conducting internal audits according to an annual plan. At the same time, an independent third-party organization is invited to conduct a nickel supply chain due diligence audit for the company.

- In December 2023, PT CNGR Dingxing New Energy Co., Ltd. conducted an independent third-party evaluation of mineral supply chain due diligence organized by the China Chamber of Commerce for Import and Export of Metals, Minerals, and Chemicals.
- The company actively promotes independent third-party audits and second-party audits for upstream mines. Currently, one mine plans to undergo an independent third-party audit, and one mine has already accepted CNGR's second-party audit.
- On July 22, 2022, the LME officially approved the "China Mineral Supply Chain Due Diligence Guidelines" as conditionally meeting the standard consistency assessment. From that day forward, LME-registered brands (those selecting Path A) can use the second edition of the "China Guidelines" and the accompanying evaluation tools to build and assess supply chain due diligence management systems. Therefore, the company encourages suppliers to use the "China Guidelines" for mineral supply chain due diligence management.

The company's Sustainable Development Office continues to engage with senior management of raw material suppliers, promoting the awareness of due diligence management from the top levels of suppliers and assisting in guiding them to establish due diligence management systems. The company actively promotes the improvement of due diligence management systems at the Tsingshan IMIP and IWIP industrial parks, participating in the ESG co-building initiative at the Tsingshan Indonesia park, working together to enhance supply chain transparency, manage supply chain risks, and promote sustainable development in the park.

## **5.5 Reporting Due Diligence Processes and Results**



In 2022, Zhongwei Co., Ltd. upgraded its website and established a sustainable development section, which includes content on responsible supply chains, climate change, circular economy, compliance and integrity, and is regularly updated.

As of December 31, 2024, no complaints related to mineral supply chain due diligence management were received through the public grievance channels disclosed by the Sustainable Development Office of Zhongwei Co., Ltd. The number of complaints handled: 0.

## **5.6 Providing Conditions and Collaboration for Remediation**

In accordance with the requirements of the second edition of the "China Guidelines," the company has added the sixth step and clarified it in the system.

## **6 Conclusion**

The company focuses on the construction of a sustainable supply chain, working closely with industry partners. By setting an example through its own actions, the company practices responsible sourcing, establishes accountability mechanisms for stakeholders, meets regulatory compliance requirements, and enhances supply chain resilience and security. In the future, the company will accelerate the establishment of a supply chain due diligence and compliance management system that meets international standards and continue to build a sustainable supply chain.

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