

Mineral Supply Chain Due Diligence Assessment

Summary Report

Assessed Party	Nandan Nanfang Nonferrous Metal Co., Ltd				
Assessment Date	12/26/2024-12/27/2024				
Assessed Material	Zinc				
LME-listed Brand	QL SHG				
Assessment Type	☒ Main Assessment ☐ Tracking Assessment				
Assessment Result	☐ AAA	☐ AA	☒ A	☐ B	☐ C
Assessment Firm	China Standard Conformity Assessment CO., LTD (CSCA)				
Assessor	Zou Dezhi, Yang Dong				

Instruction

Objective

This assessment program is an independent third-party assessment conducted by China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) based on *Chinese Due Diligence Guidelines for Mineral Supply Chain (Second Edition)*, aiming to assess the performance of the Company's due diligence management system and process, and support the Company to identify the gaps that need further improvements and develop corresponding improvement measures.

Basis of the Assessment

The assessment is based on *Chinese Due Diligence Guidelines for Mineral Supply Chain (Second Edition)*, hereinafter referred to as *the Guidelines*. The companies shall meet the content of "Companies should" in *the Guidelines*. "Companies should" refers to specific requirements of *the Guidelines* for companies' due diligence management, as well as the specific refinement of the requirements, which is consistent with the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Third Edition)*.

Explanation of Conformity Degree

Conformity: Indicates that the Company's management system, policies, procedures or processes meet the requirements of corresponding provisions of *the Guidelines*.

Need improvement: Indicates that the Company's management system, policies, procedures or processes partially meet the requirements of corresponding provisions of *the Guidelines*, but lack some necessary elements or content, or can not prove or lack evidence to prove that they are substantively functional, and further measures are needed to improve its performance.

Non-conformity: Indicates that the Company's management system, policies, procedures, or processes cannot meet the requirements of corresponding provisions of *the Guidelines*, resulting in systematic and repetitive non-conformities.

Not applicable: Indicates that corresponding provisions of *the Guidelines* do not apply to the Company.

Zero tolerance: If any of the following situations occurs, it is a "zero tolerance" situation.

1. Misrepresentation, deliberately forging false evidence or vouchers;
2. Any form of support for illegal control, or illegal taxation and extortion by non-state armed groups;
3. Any form of torture, cruel, inhuman and degrading treatment;
4. Directly cause or contribute to forced or compulsory labor;
5. Cause or contribute to widespread sexual violence;
6. The worst forms of child labor;
7. War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide;
8. Other situations generally considered unacceptable.

Explanation of Assessment Results

The overall assessment result is based on the percentages of "non-conformity" items and "need improvement" items. The China Chamber of Commerce of Metals, Minerals & Chemical Importers & Exporters (CCCCMC) provides the following suggestions on the assessment results:

Level AAA: There is no "non-conformity" items, indicating that the Company has excellent supply chain due diligence management performance.

Level AA: the percentage of "Need improvement" items does not exceed 15% of all applicable items, and the percentage of "non-conformity" items does not exceed 5% of all applicable items.

Level A: the percentage of "Need improvement" items does not exceed 25% of all applicable items, and the percentage of "non-conformity"

items does not exceed 10% of all applicable items.

Level B: the percentage of "Need improvement" items does not exceed 35% of all applicable items, and the percentage of "non-conformity" items does not exceed 20% of all applicable items.

Level C: The above level cannot be reached or there is any "zero tolerance" situation.

Description of Assessment Type

The assessment is divided into main assessment and tracking assessment. The main assessment needs to be carried out once a year. The tracking assessment is conducted every six months or during the re-assessment (main assessment) based on the conformity degree and assessment results.

1. Assessed Party

Company Name	Nandan Nanfang Nonferrous Metal Co., Ltd
Refinery Name	Nandan Nanfang Nonferrous Metal Co., Ltd
Location	Fengtangao, Chehe Town, Nandan County
Profile Number	DDMSC-CNZn0090

2. Assessment Results

Type	☒ Main Assessment		☐ Tracking Assessment		
Result	☐ Level AAA	☐ Level AA	☒ Level A	☐ Level B	☐ Level C

3. Assessment Scope

Materials	Zinc
LME-listed Brand	QL
Types of Materials	☐ Mine materials ☐ Recycled materials ☒ Both
Assessment Period	☒ 12 months: 8/01/2023-7/31/2024

	☐ Less than 12 months:
Warning Sign Triggered or Not	☒ Yes ☐ No

4. Summary of Assessment Results

Assessment Result	A
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Step 1: Establishing A Corporate Due Diligence System

Develop and adopt due diligence policy	The company has formulated and approved the <i>Supply Chain Responsibility Management Policy</i> , which complies with the requirements of the <i>China Mineral Supply Chain Responsibility Management Guidelines</i> and is publicly released on its official website.
Structure appropriate internal management systems	The company has established a Compliance Team for the mineral supply chain, appointed senior managers as compliance directors and team leaders, appointed department heads as members of the Compliance Team, and clarified the responsibilities and working mechanisms of each department. The company has set performance goals and authorized the management and employees responsible for supply chain responsibility management to implement performance assessment and incentive mechanisms. The management and employees have received training on mineral supply chain responsibility management.

Establish a system of controls and transparency over the supply chain	The company has established a supply chain control and transparency system, developed procedures related to supply chain transparency, and collected and understood traceability information of the enterprise's mineral supply chain. For supply chains that trigger warning signals, these programs require further supplementation of mineral supply chain traceability information required for the review of supply chain warning signals. The company still need to further strengthen their constraints on supplier information disclosure.
Strengthen engagement with suppliers	The company has formulated <i>Declaration and Commitment for Responsible Supply Chain Management</i> and <i>Supplier Code of Conduct</i> and <i>Contract Responsibility Clause</i> , requiring suppliers to sign and ensure that suppliers comply with supplier policies consistent with the company's responsible management policy. The company still needs to strengthen cooperation with suppliers to develop risk management plans.
Establish a Company level grievance mechanism and/or participate an industrial level grievance mechanism	The company has established a <i>Mineral Supply Chain Responsibility Management Appeal Mechanism</i> and <i>Supply Chain Responsibility Management Appeal Form</i> , covering the scope, methods, channels, and handling of appeals, and has identified industry appeal mechanisms and committed to participating.
Step 2: Risk Identification and Assessment	
Conduct warning signs review, and identify the scope of the risk assessment of the mineral supply chain based on the results of warning signs review	The company has developed the <i>Identification Procedure for Conflict Affected and High Risk Areas (CAHRAs)</i> , and the Mineral Supply Chain Compliance Team has completed a warning signal review. The review results show that there are warning signals in its supply chain. The company need to further improve the collection of mineral supply chain traceability information in collaboration with suppliers.

When warning signs are identified, companies shall conduct an on-the-ground assessment of the corresponding supply chain	The company has conducted warning signal review and identified warning signals. The company has developed a <i>Field Assessment Plan</i> and plans to commission external organizations to conduct field assessments. During this assessments period, the company has not yet carried out actual field assessment activities and needs further strengthening.
Assess risks in the supply chain	The company conducted a risk assessment of the Zinc supply chain and formed a <i>Risk Identification and Assessment Report</i> .
Step 3: Risk Prevention and Mitigation	
Report risk assessment results internally	The company conducted a risk assessment of the copper supply chain and formed a <i>Risk Assessment Results Report Form</i> , and the risk assessment results have been reported to the head of the supply chain compliance team. The company still need to strengthen the timeliness of reporting risk assessment results.
Develop and adopt risk management plan	The company has developed and approved a <i>Risk Management Plan</i> , which covers mitigation strategies to address different risks and prevent supply chain risks. The company still needs to strengthen cooperation with suppliers to develop risk management plans.
Implement risk management plan, monitor and track performance of risk mitigation strategies	The company has established a <i>Risk Management Plan Implementation and Monitoring Procedure</i> to ensure that the implementation of the risk management plan can change according to environmental changes. The company should further strengthen communication with stakeholders and local communities, and jointly promote and monitor the implementation of risk management measures.

Supplementary assessment of risks that need to be mitigated. Supplementary assessment can also be conducted after actual circumstances have changed	The company has developed an <i>Additional Risk Assessment Requirements Form</i> to ensure that additional risk assessments can be conducted in the event of changes in the supply chain, and no additional assessments are required during the assessment period.
Step 4: Internal and External Assessment	
Companies should establish internal assessment system, to continuously monitor and manage due diligence performance	The company has developed an <i>Internal Assessment Work Plan</i> , established an internal assessment working group, conducted internal assessments, and completed internal assessment reports. The company needs to strengthen the completeness of their work plan and further improve the capabilities and qualifications of their internal assessment teams.
Companies should designate the second or third party to conduct assessment when applicable	This assessment is the second external assessment commissioned by the company to an independent third party, providing assessment conditions for the assessment team.
When necessary, the company at the key points (smelters/refiners) makes necessary disclosures on the assessment results	The company promises to publicly release the Mineral Supply Chain Due Diligence Assessment Summary Report.
Step 5: Reporting and Communication	
Develop due diligence progress report	The company has prepared a <i>Progress Report on Mineral Supply Chain Responsibility Management of Nandan Nanfang Nonferrous Metal Co., Ltd for 2023-2024</i> . However, for the supply chain that triggers warning signals, the information disclosed in the report is still incomplete and needs further strengthening.

With due regard to business confidentiality and other competitive concerns, companies should publish due diligence progress reports or summary	The company has publicly released the <i>Progress Report on Mineral Supply Chain Responsibility Management of Nandan Nanfang Nonferrous Metal Co., Ltd for 2023-2024</i> on its official website. Report link: https://www.nanfangmetal.com/news/patform48.html
Step 6: Provide for or Cooperate in Remediation When Appropriate	
When the company recognize that it has caused or contributed to actual adverse impacts, they should mitigate these impacts by providing for or cooperating in remediation when appropriate	N/A
Companies provide conditions or cooperate with existing remedial mechanisms in a timely manner	N/A