

ESG Policy of Huayou Cobalt

1. INTRODUCTION

Zhejiang Huayou Cobalt Limited (hereinafter referred to as "Huayou Cobalt") is a high-tech enterprise engaged in the research, development and manufacturing of new energy lithium battery materials and cobalt new materials, with three major businesses: resource development, new materials and new energy manufacturing. The business type covers the new energy lithium battery industry ecology consisting of development and smelting of cobalt and nickel resources, the deep processing of lithium battery cathode materials and the recycling of resources. With the mission of creating value for the customers and leading the industry advancement, Huayou Cobalt is committed to becoming a global leader in new energy lithium battery materials. In its 20 years of business operation, Huayou Cobalt is fully aware that sustainable development is not only the development direction of the industries of new energy and new materials, but also is an important path choice to address the transformation of the global energy structure and the risk of climate change. Based on the nature of our industry and the pursuit of our goals, we uphold the concept of creating value for all our partners and the development of human society, and hope to enhance the ESG performance of our business by strengthening our own environmental, social and governance (ESG) management.

Combining with its business characteristics and the best practices of global mining industries and international community, Huayou Cobalt conducts comprehensive communication with stakeholders to understand their major concerns, and works with external experts with extensive environmental and social experiences to select key ESG issues related to its business on the basis of the principles of integrity, equality and transparency. We make corresponding policy commitments on the selected issues and aim to achieve consistency (aligning our business development direction with stakeholders' requirements through combining with industry expectations and international good practice), diversity (coordinating the development direction of each business area at the strategic planning level to more effectively implement ESG goals related to the sustainable development) and stability (conducting integrated management of ESG risks to achieve full-coverage risk management for policies, mechanisms and processes) of ESG management through the development and implementation of comprehensive ESG policy and management system, and we are committed to making a responsible contribution to the development of the community with a shared future for mankind.

This Policy is approved by Chen Hongliang (the Group's President) on July 25, 2022, from which it is implemented. It will be reviewed or updated periodically in line with the Company's needs and ESG development trends.

2. SCOPE OF APPLICATION

This Policy applies to Huayou Cobalt's subsidiaries around the world and to industrial facilities controlled (directly or indirectly) or operated by Huayou Cobalt around the world. Huayou Cobalt also undertakes to influence joint ventures not controlled by the Company and urge such joint ventures to act in accordance with the provisions of this Policy.

3. POLICY COMMITMENTS

Climate change and energy consumption

Huayou Cobalt has incorporated climate change issues into its ESG governance framework, the Board of Directors comprehensively supervises implementation, and Huayou Cobalt has established a top-down addressing plan to climate change. We will work with global stakeholders to achieve carbon neutrality of Scope 1 and Scope 2 emissions by 2050 in line with the Paris Agreement. We will analyse the short, medium and long-term climate change risks (both physical risks and transformational risks) for all assets and propose strategies to address such risks. We will make climate change issue disclosures that meet the requirements of the Task Force on Climate Related Financial Disclosures (TCFD) by 2026. Huayou Cobalt seeks to improve energy security, ensures to own affordable and reliable energy, develops viable technologies to reduce energy consumption intensity, and actively promotes the transformation of the energy structure and increases the proportion of utilized renewable and low-carbon energy.

Pollutant emissions

Huayou Cobalt will apply advanced technologies to reduce or lower pollutant emission levels (including exhaust gas, wastewater and solid waste) for each of its assets, and adopt more stringent emission limits as far as possible within the applicable *World Bank Group Environmental, Health and Safety Guidelines* (WBG EHS Guidelines)¹ and standards of the host country. Huayou Cobalt will disclose pollutant emission amount progressively in accordance with internationally accepted requirements (e.g. GRI, HKSE disclosure requirements, etc.). For all types of pollutants/waste generated by the project, we are committed to improving the resource treatment of general solid waste to continuously increase the rate of recycling or resource use of solid waste. Meanwhile, we are committed to improving the treatment capacity of exhaust gas and wastewater treatment facilities for the continuous reduction of pollutant emission amount.

Biodiversity

¹ World Bank Group Environmental, Health and Safety Guidelines:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

Huayou Cobalt strictly complies with the regulatory requirements for biodiversity impact assessment and management in the host country and implements the management of biodiversity impacts throughout the life cycle of the project.

Huayou Cobalt is committed to protecting the natural habitats and endangered species within the impact areas of each mine and undertakes not to construct project at the World Heritage Sites², IUCN Protected Area Categories I-III³ and the core areas of UNESCO biosphere reserves⁴. Huayou Cobalt will respect the statutory protected areas⁵ and ensure that new projects or altered projects do not change the protection values of such areas.

Tailings management

Huayou Cobalt carries out the design and management of tailings facilities in strict accordance with the laws and regulations of the host country. The design of tailings facilities will be based on a whole life cycle and risk analysis perspective (including risk level and accident impact assessment), taking into account various factors such as socio-economic, environmental, technical and project economic factors. The operation of the tailings facility will be the responsibility of a dedicated person, with appropriate contingency plans and accident recovery plans in place to ensure the long-term accident-free operation of the tailings facility.

In terms of tailings facility management, we will regularly disclose data on the responsibility and performance of the tailings facilities and maintain long-term communication with stakeholders to understand their opinions on the management of tailings facilities.

Water resource management

In strict accordance with the requirements of laws and regulations of the host country, Huayou Cobalt adheres to the principles of broadening source and saving cost, better water for better use and recycling of sewage, fully considers the carrying capacity of water resources and the carrying capacity of the water environment in production and construction, and actively adopts water conservation and alternative measures for the sustainable use of water resources.

Huayou Cobalt implements strong and transparent water resource management measures, in particular, including disclosure of the company's water in-taking and discharge, surface water hydrology and water

² World Heritage List: <https://whc.unesco.org/en/list/>. World Heritage Sites are clearly defined by UNESCO. World Heritage List: <https://whc.unesco.org/en/list/> See the Appendix for a brief explanation.

³ IUCN Protected Area Categories: <https://www.iucn.org/theme/protected-areas/about/protected-area-categories>

⁴ UNESCO definition of a biosphere reserve. <https://zh.unesco.org/biosphere/about> and an explanation in English: <https://en.unesco.org/biosphere/wnbr>

⁵ ICMM Commitment and Affirmation on Biodiversity: <https://www.icmm.com/en-gb/our-principles/position-statements/protected-areas>

quality monitoring, analysis of risks and opportunities of local water consumption, proactive communication with neighbouring communities and other stakeholders to avoid significant competition with neighbouring communities in terms of water resource use.

Indigenous people

Huayou Cobalt recognizes that indigenous people have unique cultures, histories, practices and identities and will respect indigenous people's rights, traditional knowledge, cultural heritage and the ecosystems on which they depend throughout the life cycle of the project. Free, prior and informed consent (FPIC)⁶ is obtained from affected indigenous people communities prior to project construction and operation. An ongoing partnership is established and maintained with the indigenous people affected by the project throughout the project life cycle to avoid or minimize adverse impacts on indigenous people, Huayou Cobalt will also create culturally appropriate sustainable development benefits and opportunities for indigenous people wherever possible to help them achieve sustainable economic and social development goals.

Involuntary migration

Huayou Cobalt undertakes to minimize the occupation of land (especially high-quality land) for project construction by optimizing project design plans and site selection and considering possible alternatives. Huayou Cobalt will avoid and minimize physical migration caused by the project as far as permitted by the policies and regulations of the host country, compensate migrated communities and individuals for the loss of assets at full replacement cost, focus on the restoration of livelihoods of involuntary migrants and create employment opportunities for the resettlement households affected by the project.

Human rights

Huayou Company respects the human rights of all employees and affected communities to avoid human rights issues arising from the Company's operations. In this regard, Huayou Cobalt undertakes as follows:

- Refrain from employing and using all forms of forced labour;
- Ensure that our operations are free from modern slavery⁷;
- No employment and use of child labour⁸;

⁶ The definition, principles, applicable situations and application requirements of free, prior and informed consent (FPIC) follow IFC Performance Standard 7: https://www.ifc.org/wps/wcm/connect/6486bcf4-7b0a-4f57-bc34-8c1667ce72a2/PS7_Chinese_2012.pdf?MOD=AJPERES&CVID=jqeBmB3

⁷ The relevant concept of "modern slavery" can be found in the UK Modern Slavery Act (2015): <https://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

⁸ The use of child labour follows the limits of the host country's legislation. In countries where the applicable legislation does not specify a minimum age for work, limit for child labour is to 15 years of age and under, or to the age of not having completed compulsory education in the relevant country/region.

- Eliminate discrimination in hiring and employment;
- Intolerance of any form of violation and abuse of personality;
- Protect the occupational health and safety of employees;
- Protect the health and safety of the communities surrounding the project site;
- Respect the rights of employees to freedom of association and collective bargaining, to the extent permitted by the regulations of the host country;
- Actively engage in information disclosure, maintain an ongoing interactive relationship with stakeholders and respond positively to relevant complaints from stakeholders;
- Concern and protection of the interests of vulnerable groups;
- Conduct human rights due diligence or human rights risk assessments in accordance with international best practice and take measures to mitigate human rights risks when operating in regions and countries with relatively high human rights risks.

Responsible supply chain

Huayou Cobalt adheres to the principle of doing business only with legal and compliant suppliers, and strives to enhance and promote sustainable management of the supply chain.

Huayou Cobalt undertakes to screen suppliers, and avoid as far as possible cooperating with the key suppliers where there is employment or use of child labour, forced labour or where there are significant safety concerns.

Cultural heritage

Huayou Cobalt undertakes to comply with the legal requirements of the host country in the design and implementation of the project, not to develop the project in a World Heritage Site, and to protect and respect the cultural heritage of the communities and indigenous people.

Huayou Cobalt will screen cultural heritage prior to the development of new projects or when there are significant changes to related activities to identify the risks and potential impacts of proposed related construction activities on replicable, non-replicable and significant cultural heritage⁹. If the screening indicates that there is potential for replicable, non-replicable or significant cultural heritage to be involved in related activities, the nature and scale of potential impacts shall be assessed and mitigation measures shall be proposed in accordance with the initiative requirements on cultural heritage under *the*

⁹ Cultural heritage refers to (1) tangible cultural heritage, such as tangible, movable or immovable objects, properties, places, buildings or complexes of archaeological (prehistoric), paleontological, historical, cultural, artistic and religious value; (2) unique natural environmental features or tangible objects of cultural value, such as sacred groves, rocks, lakes and waterfalls; and (3) specific intangible culture proposed for commercial purposes, such as cultural knowledge, inventive innovations and community practices that embody traditional ways of life. In compliance with IFC Performance Standard 8: https://www.ifc.org/wps/wcm/connect/2519704c-4a42-450e-b89e-9d2e00faa874/PS8_Chinese_2012.pdf?MOD=AJPERES&CVID=jqeBn9a

Initiative for Responsible Mining Assurance (IRMA, 2020) to avoid, minimize, restore or compensate for adverse impacts.

Health and safety

Huayou Cobalt complies with the occupational health and safety laws and regulations of the host country, identifies and assesses risks of safety and occupational health in its operations, manages and monitors the impact of the risks, ensures the health and safety of its employees and contractors working at project sites, and achieves the work goal of "zero death and zero occupational disease" by establishing a safety management committee.

To prevent occupational diseases and work-related injuries, Huayou Cobalt will identify and assess occupational disease hazards and unsafe behaviours and conditions present at the work sites, manage their risks, and regularly monitor and report the health and safety status of our employees.

For projects already in operation, the operating company and worker representatives will form a joint health and safety committee or equivalent body to regularly inspect the work environment to identify the various hazards to which workers may be exposed in the workplace and to assess the effectiveness of occupational health and safety control and protection measures.

Community health and safety

Huayou Cobalt takes full account of the health and safety risks posed by the project to the affected communities and avoids or minimizes risks to the affected communities by optimizing the design, construction and operation and closing of the structural elements or components of the project to protect the safety of people and property.

Taking into account the characteristics of its own industry, Huayou Cobalt will carry out an assessment of the risks and impacts that may be suffered by the community's health and safety during the life cycle of the project, focus on the potential risks to the community in terms of tailings facilities, soil and groundwater pollution prevention and control, safety accidents, the impact on ecosystem service functions and the control of infectious diseases, road traffic and transportation safety, etc., actively carry out stakeholder participation, and formulate and implement a community health and safety risk management and monitoring plan.

Clause of fair labour and work

Huayou Cobalt strictly complies with the labour law requirements of the host country of the project, adheres to the principles of open, fair and just hiring and employment, signs labour contracts in accordance with the law, guarantees reasonable working hours and remuneration and benefits, protects employees' personal privacy and information security, and provides safe and decent working and living conditions.

Huayou Cobalt resists any form of discrimination and violence. Huayou Cobalt insists on treating employees equally regardless of their genders, races, religions, ages, disabilities, nationalities and gender orientations, actively provides employment opportunities for vulnerable groups and safeguards the legitimate rights and interests of female employees. Huayou Cobalt regulates labour employment management, strictly prohibits the employment of child labour and resists all forms of forced labour.

Huayou Cobalt will establish an effective and safe employee grievance mechanism for employees (including contractors' employees), regularly analyse and summarize employee grievances, and enhances and optimizes the Company's existing fair labour and working conditions management system based on the analysis results.

Business integrity and clean system building

Huayou Cobalt believes that integrity, cleanness and transparency are the cornerstones of business success and holds a zero-tolerance attitude towards any corrupt practices, with severe punishment whenever found. Huayou Cobalt insists on resisting any form of commercial bribery and corruption, and maintaining fairness, cleanness and transparency, and provides effective complaint and reporting channels to encourage informed reporting of violations.

Huayou Cobalt complies with the applicable laws and regulations of the host country and international conventions and carries out the establishment of a clean compliance system. Through system building, culture cultivation, compliance management and external communication, Huayou Cobalt will continue to strengthen the clean system.

Leadership and management

Huayou Cobalt continues to optimize its management structure, and conducts management, supervision and implementation of ESG work via the office or the committee. At the headquarters level, Huayou Cobalt has established a social responsibility office in the Group and an African region social responsibility office accordingly; corresponding working groups have been set up in subsidiaries. In the future, Huayou Cobalt plans to establish the sustainable development committee under the direct responsibility of members of the Board of Directors for conducting overall leadership for ESG management, to establish sustainable development office in each subsidiary and to establish a sound sustainable development management system covering the Group and the subsidiaries.

Huayou Cobalt has established an audit and inspection center which is directly under the direction of the highest level of the Group to ensure the independence of internal review and handling of complaints and reports.