



GEM CO.,LTD.

Due Diligence Management System

ANNUAL REPORT

REPORTING COMPANY AND METALS

Jingmen GEM Co., Ltd , Cobalt

GEM (Jiangsu) Co., Ltd , Cobalt

Hubei Green Tungsten Co., Ltd , Tungsten

All of them are subsidiaries of GEM Co., Ltd

2021

CREATED BY

Weitao Yi

10 March 2022



Due Diligence Progress in GEM

Foreword

The report is based on the relevant requirements of the following criteria :

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas , Third Edition
- COBALT REFINER SUPPLY CHAIN DUE DILIGENCE STANDARD , Version 2.0
- RESPONSIBLE MINERALS ASSURANCE PROCESS , Tungsten Standard , 1 June 2018
- Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc , 9 February 2021
- Global Responsible Sourcing Due Diligence Standard for Mineral Supply Chains All Minerals , Version 1.0
- RESPONSIBLE MINERALS ASSURANCE PROCESS , RMAP Due Diligence Report Guidance

**GEM International Green
Supply Chain Management**



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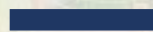
THE 2ND AND 3RD PARTY AUDIT

Company Information

Group Profile

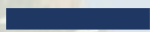
GEM Co., Ltd. is an advocator of the industrial philosophy that "Limited Resources, Unlimited Recycling" and a pioneer of exploiting urban mines in China. For the past 20 years, GEM has been pursuing the goal of peaking carbon dioxide emissions and achieve carbon neutrality by exploiting urban mines, developing new energy materials, and establishing a resource recycling mode and a clean energy material mode. GEM has tackled a series of worldwide technical challenges such as the waste battery recycling technology, the green treatment of electronic waste, the recycling technology of scrapped vehicles, and the core technology of ternary power battery materials; made breakthroughs in key technical bottlenecks in the green treatment and recycling of waste batteries, electronic wastes, and scrapped vehicles; constructed a globally-advanced new energy full-life-cycle value chain, a recycling value chain of cobalt, tungsten, and other rare metals, the recycling value chain of electronic wastes and plastics, as well as other resource recycling modes and new energy recycling modes. GEM has established 16 waste recycling and new energy material parks in 11 provinces and municipalities. Its footprints of green recycling cover the entire China. With successful presence in South Africa, South Korea, and Indonesia, it radiates the whole world with green technologies.

Philosophy



Limited Resources Unlimited
Recycling .

Vision



Exploiting Urban Mines,
Establishing World's Green & Low
Carbon Factories

Mission



Recycling for Future .

Value



Eliminating Pollution, Recycling
Resources, Benefiting Society

Subsidiary Company

covered by this report



Subsidiary Company covered by this report

Subsidiary Company Information	Jingmen GEM Co., Ltd.	GEM (Jiangsu) Co., Ltd.	Hubei Green Tungsten Co., Ltd.
CID Number	CID003378	CID003209	CID003417
Company Location	Jingmen, Hubei Sheng PRC	Taixing, Jiangsu Sheng PRC	Jingmen, Hubei Sheng PRC
Material Processed	recycled materials and crude cobalt hydroxide	recycled materials and crude cobalt hydroxide	recycled materials
Time Period covered by this report	December 1, 2019 -- December 31, 2021	January 1, 2020 -- March 31, 2022	April 1, 2021 -- March 31, 2022



Cobalt, Nickel and Tungsten Resources Recycling and Cemented Carbide Industry Chain

5%

Annual recycling of tungsten resources accounts for 5% of the original tungsten production in China.

8%

Annual recycling of nickel resources accounts for 8% of China's nickel resources.

6%

Annual recycling of germanium resources recovered account for 6% of global production.

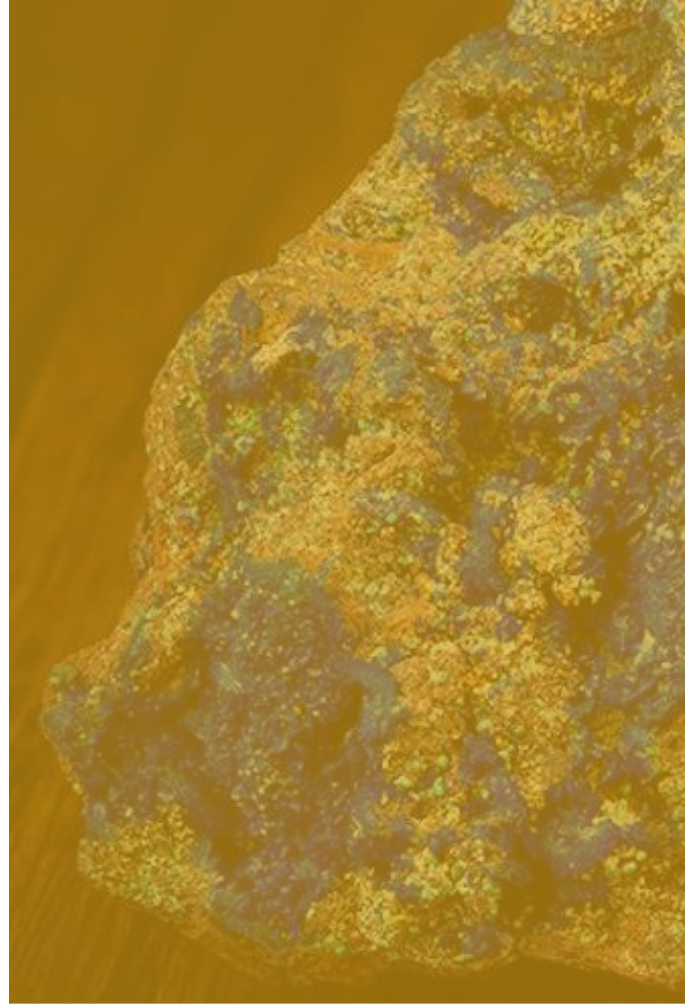
60%

Recycled ultrafine cobalt nickel powder accounts for more than 60% of the Chinese market.

Interprets the waste recycling process of "waste-products-replacement of ore products-world brands" and composes the recycling legend of waste to world brands.

RMAP ASSESSMENT SUMMARY

The flagship program of the RMI, the Responsible Minerals Assurance Process (RMAP) takes a unique approach to helping companies make informed choices about responsibly sourced minerals in their supply chains. The RMAP standards are developed to meet the requirements of the OECD Due Diligence Guidance, the Regulation (EU) 2017/821 of the European Parliament and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.



RMAP ASSESSMENT SUMMARY

Assessment firm Information	Jingmen GEM Co., Ltd.	GEM (Jiangsu) Co., Ltd.	Hubei Green Tungsten Co., Ltd.
Date of last RMAP assessment per facility	December 26, 2019 -- December 27, 2019	November 12, 2019 -- November 13, 2019	April 15, 2021
Assessment period	December 1, 2018 -- November 30, 2019	January 1, 2019 -- December 31, 2019	April 1, 2020 -- March 31, 2021
Assessment firm	UL	UL	SCS
URL to most recent assessment summary report	Jingmen GEM Public Report.pdf (responsiblemineralsinitiative.org)	Gem (Jiangsu) Public Report.pdf (responsiblemineralsinitiative.org)	Jingmen Dewei Public Report.pdf (responsiblemineralsinitiative.org)



We have committed to adopt the policy on responsible sourcing of minerals.

03

Supply Chain Policy for a Responsible Global Supply Chain of Minerals

All risks identified in the OECD Guidelines model Supply Chain Policy (Appendix II) .

01

Regarding serious abuses associated with the extraction, transport or trade of minerals.

02

Regarding direct or indirect support to non-state armed groups.

03

Regarding public or private security forces.

04

Regarding bribery and fraudulent misrepresentation of the origin of minerals

05

Regarding money laundering.

06

Regarding the payment of taxes, fees and royalties due to governments.

07

the worst forms of child Labor.

08

Occupational Health and Safety.



We have Published the policies on the official website:

[Supply Chain Policy for a Responsible Global Supply Chain of Minerals \(gemchina.com.cn\)](http://gemchina.com.cn)

DUE DILIGENCE MANAGEMENT SYSTEM



The company's business activities are guided by the principles of reducing the Earth's environmental load and improving the Earth's environmental carrying capacity. It follows global laws and regulations on environmental protection and green development , and cooperates with global companies to build a green industrial-supply and full life cycle value chain. The value chain rejects the use of non-green products and products and raw materials that do not comply with global social responsibility, reduces the use of products with high environmental loads, and achieves the harmonious unification of economic benefits and social responsibility through economical recycling .

Kaihua Xu



Management Team

A management system is a set of documented policies, processes and procedures that set out the tasks required by a company to achieve its objectives and improve performance over time by carrying out repeatable steps to be implemented by management and staff. The level of complexity of the system varies depending on each subsidiary's specific context.



CONFORMANT SMELTER



Group

International Green Supply Chain Management Office

The International Green Supply Chain Management Office is the centralized management department of the group's Due Diligence Management System.

- Appointing and authorizing Management Representative.
- Oversee the design and implementation of due diligence plans and risk management.
- Provide technical support and training to subsidiaries.
- Coordinates relevant subsidiaries to organize due diligence management of mineral supply chain.

Subsidiary Company

General Manager of Subsidiary Company

Combined with the reality of the subsidiary, under the guidance of the International Green Supply Chain Management Office, to establish a Due Diligence Management System.

- In the subsidiary, designated special departments centralized management of Due Diligence Management System.
- Provide resource support for the establishment, maintenance and improvement of Due Diligence Management System.
- Establish a team for due diligence management system.

Department

Competent Department of Subsidiary Company

Responsible for the establishment, maintenance and improvement of Due Diligence Management System.

- Record keeping.
- Internal Control
- Identify and Evaluate Supply Chain Risks
- Setting Risk Mitigation Strategy and Plan
- Monitor and Follow Up the Risk Management Plan
- Report the Supply Chain Risk Management Process and Results

TRAINING & RETRAINING

Empower employees with new development skills to lay a foundation for future advancement . Copying and disseminating the knowledge and experience of the organization, unifying everyone's understanding and cognition of strategy and culture.

RMI & RCS

The Responsible Minerals Initiative (RMI) provides training on minerals sourcing due diligence, minerals-specific risks in the supply chain, regulatory requirements, OECD Guidance and international best practices on responsible mineral sourcing.

- RMI freely Online Training eLearning Academy
- In-Person Training. The RMI holds in-person training for smelters and refiners and for auditors multiple times a year in multiple geographies. Xiamen, March 10, 2021
- Technical Support . During the reporting period, RMI entrusted RCS to provide technical support for Jingmen GEM and GEM(Jiangsu).



In-house training

the company conducts a due diligence management system training for key personnel of all relevant departments every year. In addition, our company will also organize additional training under the following circumstances:

- When the standard changes.
- When a document is newly created or changed as a result of continuous improvement activities;
- When personnel responsible for responsible management of mineral supply chain are newly added, transferred or otherwise changed;
- Other circumstances requiring additional training to be organized.

Internal Systems of Control

We have designed and implemented a system of control and transparency to maintain control of the materials in our possession .



INTERACT WITH SUPPLIERS

- Identify suppliers in the mineral supply chain
- Collect and retain information necessary to implement all applicable steps of the due diligence process



DIFFERENT METHODS OF COLLECT INFORMATION NECESSARY

- Supplier engagement, for example, KYS.
- Desk research conducted by the company, including, but not limited to, through a review of the information available on the Internet
- Reports issued by external experts, governmental agencies or research organisations.
- Information collected through the company's grievance mechanism.



METAL BALANCE

- Each batch of mineral raw material and finished product is analyzed.
- Every batch of recycled material is photographed and kept for future reference.
- Periodically check the inventory data, calculate the metal balance.



GRIEVANCE MECHANISM

- We have designed and implemented a grievance mechanism.
- We allow internal and external stakeholders, including whistle-blowers, to voice concerns, including anonymously, without fear of retaliation regarding the circumstances of mineral extraction, transport, trade, handling, processing and export of minerals, including in CAHRA.
- Our grievance email is: CSR@gem.com.cn



RECORD KEEPING SYSTEM

- Our paper records retention time at least 5 years.
- We are moving to a paperless office where electronic data can be stored for longer.



05

RISK Identification

Methodology

Our methodology for CAHRA is based on the following criteria:

- RESPONSIBLE MINERALS ASSURANCE PROCESS — EXAMPLES OF PROCEDURES TO IDENTIFY CONFLICT-AFFECTED AND HIGH-RISK AREAS, Version 1.2, April 2, 2021.
- OECD Portal for Supply Chain Risk Information.
- European Commission Handbook on the Identification of CAHRAs.
- Focusing on three Criteria for CAHRAs determination: Conflict, Governance, and Human Rights.

Dodd Frank Act (DFA 1502)

DRC and its nine adjoining countries as outlined in Section 1502 of the Dodd Frank Act (DFA 1502), namely Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.

EU Regulation 2017/821

The indicative and non-exhaustive list of CAHRAs provided by the European Commission pursuant to Article 14.2 of the European Union Regulation 2017/821

GEM CAHRAs procedure

- Conflict Risk, Conflict Barometer Index.
- Governance, Fragile States Index.
- Human Rights Risk, UNDP Human Development Indicators.
- RMI's Global Risk Map.

Frequency of Review

At least, annual review.

CAHRA Process

To identify risks of potential adverse impacts and actual adverse impacts covered by a company's policy along the supply chains for the materials in scope of the assessment.



Step 2: Red Flags Identification & Risk Assessment

- Supplier information
- Determination of material type.

If mined material

- Red Flags Identification:
- Information collection for red flags identification
 - CAHRA determination
 - Red flags review

Are red flags confirmed?

no

yes

- Risk Assessment
- Information collection for risk assessment
 - On-the-ground assessment
 - Risk assessment review

Are risks of adverse impacts and/or actual adverse impacts identified?

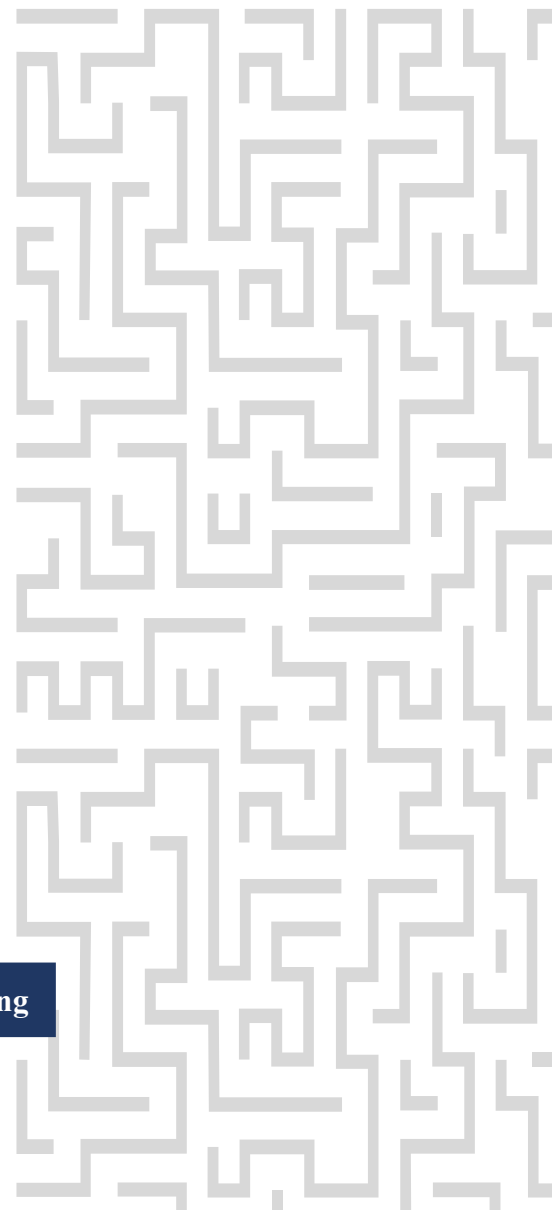
no

yes

Continuous monitoring

Step 3: Risk Management

Step 5: Reporting





Supplier Standards

for responsible mineral procurement



RECYCLED MATERIALS

Give priority to the use of recycled raw materials, based on the recycling industry, fulfill social responsibility.



CONFORMANT LIST

Preference is given to mineral suppliers that meet RMI standards or cross-validation schemes, such as mineral raw material suppliers listed in the RMI Conformant list.



LSM

Give priority to the purchase of ore raw materials extracted from large mechanical mines .

ENCOURAGE SUPPLIERS PARTICIPATION IN RMAP

We encourage suppliers participation in RMI recognized upstream assurance mechanisms. Actively cooperate with our company and/or MRI and/or mineral suppliers participating in cross-validation program. Progressively mitigate supply chain risks from high-risk purchases using the MODEL supply chain policy and the risk management strategy defined in The GEM Due Diligence Policy for a Responsible Global Supply Chain, annex II of the OECD Guide.

RISK & Mitigation

CAHRA Analysis Results

01

Regarding occupational Health and Safety.

02

Regarding money laundering.

03

Regarding bribery and fraudulent misrepresentation of the origin of minerals.

Risk Mitigation Plan

THE RISK MITIGATION PLAN INCLUDES:

- 01 Identify risks that need to be managed.
- 02 All smelters and refineries suppliers are encouraged to participate in RMAP audits.
- 03 Develop measurable risk mitigation measures and actions.
- 04 Formulating road maps, timetables and necessary resource allocation.

The 2nd & 3rd Party Audit

In accordance with step 4 of the OECD Due diligence Guidelines, GEM's due diligence was audited by a number of independent 2nd and 3rd parties, and we have since gradually improved our due diligence system. GEM has received more than 10 2nd and 3rd audits at the request of its clients. These audits demonstrated to clients our practices in the area of mineral supply chain compliance and had a positive impact.

In 2022, GEM will increase the audit of other metals in response to requests from brand customers and RMI.

2ND AUDIT

Audit institutions : RCS Global

Delegate : Brand customers

Metal category : Cobalt
Nickel
Manganese

RCS Global is the trusted leader in auditing, mapping and third-party assurance in natural resources supply chains.

Their services include: Advisory and audit services firm with expertise on responsible mineral sourcing, mine site assessments, and training programs.

They not only carry out professional and independent audits on behalf of our customers, but also advise on our Due Diligence management system for the mineral supply chain during the CAP phase.

3RD AUDIT

Audit institutions : UL / SCS

Delegate : RMI

Metal category : Cobalt
Tungsten

With more than 400 member companies, the Responsible Minerals Initiative (RMI) is one of the most utilized and respected resources for companies from a range of industries addressing responsible mineral sourcing issues in their supply chains.

They provide companies with tools and resources to make sourcing decisions that improve regulatory compliance and support responsible sourcing of minerals from conflict-affected and high-risk areas.

THANK YOU

FOR YOUR READING

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