



# Responsible Minerals Report 2023



30 April 2024



*Everyday Everywhere* **EcoPro**

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## 1. INTRODUCTION

EcoPro Group (“EcoPro”, “the Company”) is a leading manufacturer of high-nickel cathode active materials (“CAM”) for secondary batteries. Our products serve as inputs to the manufacturing of batteries for electric vehicles, power tools, and other storage applications, offering our clients longer driving ranges without the need to increase battery size. EcoPro’s closed-loop system involves recycling waste batteries to extract valuable metals and subsequently processing and manufacturing lithium and precursors to create cathode materials with minimal waste.

### Purpose and Scope

This report outlines EcoPro’s responsible sourcing efforts for the key cathode materials – cobalt, nickel, and lithium, in the 2023 calendar year. In order to manage the risks associated with the extraction, processing, transport, and trade of these materials, we are committed to conducting supply chain due diligence in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (“OECD Due Diligence Guidance”), a key internationally recognized due diligence framework.

The purpose of this Responsible Raw Materials Report (“the Report”) is thus to detail EcoPro’s supply chain due diligence practices for the year 2023 in line with the OECD Due Diligence Guidance. Through such disclosure, the Company aims to enhance supply chain transparency, foster stronger relationships with business partners, as well as demonstrate conformance with good practice and expectations of external stakeholders regarding ESG risk management in our supply chains.

This Report builds upon the foundation laid by our first Responsible Raw Materials Report published in 2022 and provides an update on the progress and key achievements of our due diligence program.

### Participation in RMAP and DAP

EcoPro takes part in the Responsible Minerals Initiative (“RMI”) Responsible Minerals Assurance Process (“RMAP”) and RMI Downstream Assessment Program (“DAP”), which are widely recognized assurance schemes, to verify its conformance with good practice due diligence frameworks. In March, EcoPro Materials initiated the RMAP application to be audited against the RMI Cobalt Refiner Due Diligence Standard and Global Responsible Sourcing Standard for Mineral Supply Chains – All Minerals.<sup>1)</sup>

RMAP assessments focus on identified points in mineral supply chains where relatively few actors, namely smelters and refiners, have more oversight on material sources. The RMAP assessment procedure involves a third-party assessment of company management systems, including an on-site visit, to evaluate sourcing practices against its standards which align with the OECD Due Diligence Guidance, EU Regulation 2017/821, and the U.S. Dodd-Frank Act. The DAP is a mineral agnostic program for verifying due diligence practices downstream of smelters/refiners which is also in line with the OECD Due Diligence Guidance and EU Regulation 2017/821.

In addition, we have also undergone customer audits and are open to ongoing collaboration and data sharing on due diligence across the value chain.

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<sup>1)</sup> RMI CID : EcoPro Materials (Co - CID004492, Ni - CID004493)

## 2. COMPANY INFORMATION

EcoPro is engaged in the implementation of energy-efficient solutions and environmentally responsible technologies in its operations. This Report covers responsible sourcing activities of the five battery-related subsidiaries (“subsidiary”, “subsidiaries”), as outlined below in Table 1.

<b>EcoPro BM</b>	Development and manufacturing of high-nickel cathode materials, marketed domestically and worldwide.
<b>EcoPro EM</b>	Joint venture between EcoPro BM and Samsung SDI that manufactures high-nickel-based cathode material products.
<b>EcoPro Materials</b>	Production of high-capacity nickel-based cathode precursor materials. Includes refining and manufacturing of nickel and cobalt metals which comprise the precursor material.
<b>EcoPro Innovation</b>	Refinement of recycled lithium and/or purchased lithium carbonate to produce lithium hydroxide.
<b>EcoPro CnG</b>	Collection of waste batteries which results in the production cobalt, nickel, manganese, and lithium through pre- and post-treatment processes, aiming to become a global battery recycler.

**Table 1.** EcoPro’s Subsidiary companies with descriptions

EcoPro’s core business activity is manufacturing high-nickel cathode active materials for secondary batteries. For this purpose, we source raw materials including nickel, cobalt, and lithium for conversion into high-nickel active cathode materials. These materials, along with tin, tantalum, tungsten, and gold (commonly referred to as “3TG”) are collectively referred to as “Responsible Minerals”, a key focus area for EcoPro’s due diligence management system. Our aim is to source minerals that are mined, transported, processed, and traded in a manner that minimizes the risk of conflict financing, potential human rights violations, and environmental harm.

The cathode manufacturing process begins with the hydrometallurgical purification of nickel and cobalt intermediates. These purified materials are then co-precipitated to form a precursor, which is subsequently filtered. The resulting precursor is then lithiated to create the final high-nickel active cathode material. To ensure consistent quality, the material is classified using magnetic separation. Finally, the high-nickel active cathode material is packed under special conditions using dehumidified nitrogen gas to prevent oxidation and contamination and shipped to battery manufacturers for use in lithium-ion battery production. We maintain a high standard for quality assurance, as each step in the process is critical for ensuring a safe and high-performing product that meets the needs of our customers.

### 3. MANAGEMENT SYSTEM

EcoPro's subsidiaries conduct due diligence on all suppliers that provide products classified as Responsible Minerals. Our management system is upheld by our publicly available [Responsible Supply Chain Policy](#) ("the Policy") and the due diligence process is formalized in our internal Responsible Supply Chains of Minerals Management Regulation ("RSMR"). Additionally, in August we published our [Supplier Code of Conduct](#), which outlines mandatory requirements for counterparties to ensure that minerals used in our products are produced and sourced responsibly.

#### Responsible Supply Chain Policy

The current policy outlines EcoPro's commitment to procure minerals that do not pose any of the risks listed in the OECD Due Diligence Guidance Annex II (Table 2). The mineral scope of the policy includes tin, tantalum, tungsten, and gold (3TG), cobalt, lithium, nickel, manganese, and aluminum. It also sets binding responsible sourcing requirements for our suppliers of these minerals, aligned with the OECD Due Diligence Guidance.

Risks	Details
Serious abuses associated with the extraction, transport or trade of minerals	Torture, cruel, inhuman, and degrading treatment
	Forced or compulsory labor
	Child labor
	Sexual violence
	War crimes or other violations of international humanitarian law, crimes against humanity or genocide
Direct or indirect support to non-state armed groups	-
Direct or indirect support to private/public security forces	-
Bribery and fraudulent misrepresentation of the origin of minerals	Money-laundering
	No payment of taxes, fees, and royalties to governments

**Table 2.** OECD Annex II risks and examples from the OECD Due Diligence Guidance

#### Responsible Supply Chains of Minerals Management Regulation (RSMR)

The RSMR outlines the internal governance structure for implementing supply chain due diligence. It also details the process for identifying CAHRAs, assessing and mitigating identified risks to ensure the responsible sourcing of raw materials from conflict-affected and high-risk areas, and reporting supply chain due diligence activities to meet stakeholder expectations. The RSMR is aligned with the OECD Due Diligence Guidance and applies to all EcoPro's subsidiaries.

#### Supplier Code of Conduct

The Supplier Code of Conduct ("the Code") was published on 31 August. It represents an important new addition to EcoPro's management system. The Code sets standards for suppliers and business partners to uphold human rights, protect the environment, and engage in responsible business practices. It incorporates leading international frameworks such as the Responsible Business Alliance (RBA) Code of Conduct and

UNGC standards. A comprehensive overview of the Code's key topics and sample requirements, is summarized in Table 3.

Article	Topic	Requirement Overview
1	Protection and respect of human rights	<ul style="list-style-type: none"> <li>• No forced labor or human trafficking</li> <li>• Follow ethical recruiting practices</li> <li>• No child labor</li> <li>• Respecting local laws regulating work hours</li> <li>• Non-discrimination in the workplace</li> <li>• Recognition of right to freedom of association and collective bargaining</li> </ul>
2	Health and safety	<ul style="list-style-type: none"> <li>• Provide a safe and healthy working environment (i.e. language-specific training, providing free personal protective equipment, etc, sanitary facilities and portable water)</li> <li>• Limit worker exposure to hazards and promote continuous improvement of working conditions</li> </ul>
3	Environmental protection	<ul style="list-style-type: none"> <li>• Compliance with policies, including national, regional, environmental, and chemical legislation</li> <li>• Minimize impact on climate change aligned with the Paris Climate Agreement</li> <li>• Achieve continual environmental improvement in manufacturing operations by reducing emissions, increasing energy efficiency, and utilizing renewable energy</li> <li>• Identification of hazardous substances and implement proper management practices to ensure their handling</li> <li>• Usage of recycled and renewable materials and reduction of hazardous substances</li> <li>• Characterization of volatile organic chemicals and ensure proper air emission control systems</li> <li>• Water management program to prevent unwanted discharge and leaks</li> </ul>
4	Ethical management	<ul style="list-style-type: none"> <li>• Anti-corruption policies to prohibit bribery, extortion, and embezzlement</li> <li>• Disclosure of labor, health and safety, environmental practices, and more in accordance with prevailing industry practices</li> <li>• Protection of privacy and intellectual property</li> <li>• Uphold standards of fair business, advertising, and competition</li> <li>• Anonymity is provided for whistle-blowers</li> <li>• Compliance with trade controls and economic sanctions</li> <li>• Adoption of due diligence on responsible minerals sourcing in accordance with OECD Guidance. Applying chain of custody for 3TGs</li> </ul>

**Table 3.** Summary of topics (articles 1 to 4) covered by the Code, with examples

Both indirect and direct suppliers are required to implement a management system that ensures compliance with the topics outlined above in the Code and actively prevent, mitigate, and remediate issues through a thorough due diligence process. Additionally, suppliers are required to consult with external experts, relevant stakeholders, and potentially affected groups to fully identify and assess actual or potential impacts – findings should be integrated into their business strategy. Suppliers need to report suspected concerns or wrongdoings with EcoPro, and failure to comply with the provisions in the Code may result in the

consideration of alternative suppliers.

## Grievance Mechanism

EcoPro's group-level grievance mechanism is accessible on the websites of listed companies, including [EcoPro](#), [EcoPro BM\(EM\)](#), and [EcoPro Materials](#). For unlisted companies such as EcoPro Innovation and EcoPro CnG, the [grievance mechanism](#) can be found on the EcoPro's company website.

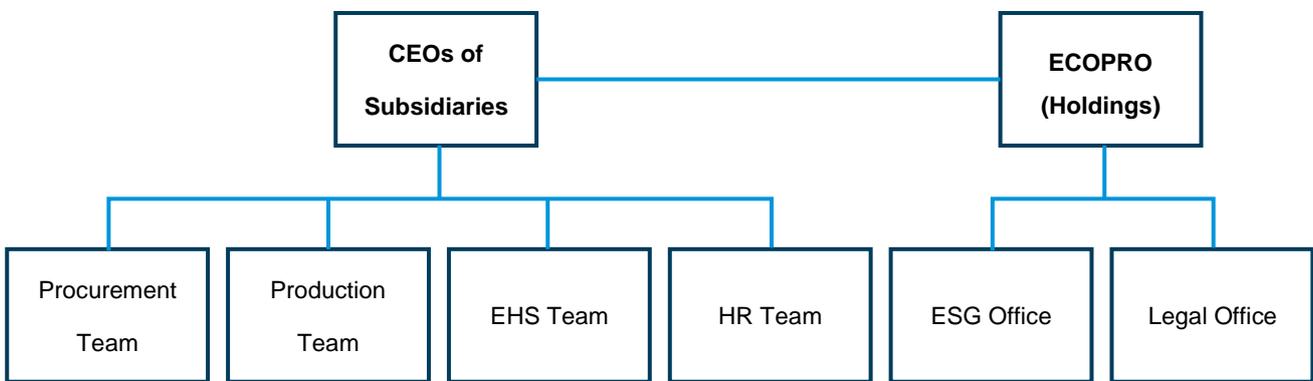
We implement all necessary steps to ensure a safe reporting environment. Our informant protection policies and anonymous reporting systems guarantee that individuals who raise complaints will not face repercussions. Through these efforts, we actively gather stakeholder feedback, strengthen internal practices to meet their needs, and proactively mitigate future risks.

## 4. SUPPLY CHAIN DUE DILIGENCE PROCESS

### Organizational and Management Structures

EcoPro launched a Responsible Minerals Task Force in 2022 comprised of members from six relevant departments across its EcoPro BM, EcoPro EM, and EcoPro Materials subsidiaries and EcoPro holding company. During the 2023 reporting period, the Task Force was expanded to include all five battery-related subsidiaries, representing EcoPro’s battery industry value chain. The Task Force meets on a weekly basis to review challenges, opportunities, and supply chain strategies as the due diligence management is implemented by all five battery-related subsidiaries. The governance structure of our organization is shown in Figure 1 below.

The CEO of each EcoPro subsidiary oversees the responsible sourcing of minerals throughout the supply chain. The functional departments that are included in the due diligence process are described in Table 4.



**Figure 1.** EcoPro’s governance structure

Functional Department	Description of Responsibilities
<b>Procurement Team</b>	General oversight and leadership for responsible procurement. The responsibilities of this role include: <ol style="list-style-type: none"> <li>i. creation of detailed supply chain maps,</li> <li>ii. collection and assessment of risk information,</li> <li>iii. implementation of risk mitigation strategies, and</li> <li>iv. response to due diligence measures</li> </ol>
<b>Production Team</b>	Ensures complete transparency and traceability of mineral usage. This involves tracking of minerals according to their source, supplier, and date of production. Semi-finished and finished products are tracked by lot.
<b>Environmental Safety Team</b>	Focuses on minimizing the environmental impact and promoting worker safety throughout the supply chain. They provide guidelines for sustainable practices.

<b>Human Resource Team</b>	Focuses on ethical labor practices within the supply chain. These teams create and provide guidelines to ensure worker’s human rights and a comfortable working environment.
<b>ESG Office</b>	The ESG Office serves as a central hub for EcoPro’s responsible minerals supply chain system. The Department is responsible for coordinating a range of tasks, such as organizing meetings, establishing unified responsible mineral policies, supporting subsidiaries, creating training materials for practitioners, and publishing the responsible mineral report.
<b>Legal Office</b>	The Legal Office examines contracts related to responsible minerals within EcoPro to ensure that they are legally compliant.

**Table 4.** Functional departments and their associated responsibilities for mineral sourcing

### Employee Training

Training was conducted for relevant departments across EcoPro’s subsidiaries, covering topics such as responsible mineral identification, standard-setting bodies such as RMI and IRMA, as well as international frameworks such as the OECD Due Diligence Guidance. EcoPro believes that background knowledge of assurance standards and best-practice frameworks underpin the company-wide commitment to upholding EcoPro’s Responsible Supply Chain Policy.

As our understanding of its supply chain risks improves over time, the Company will continue to revise its training materials and include more employees/subsidiaries into trainings.

Since September, ESG Office held weekly meetings with purchasing managers from each subsidiary. These sessions dedicate 30 minutes before regular business discussions to share the latest international trends and information on Responsible Minerals. This ongoing knowledge exchange ensures our team disseminates knowledge and stays current with global best practices.

In December, the ESG Office hosted a successful training event for 223 employees (out of 247 eligible employees) from all battery-related subsidiaries and related departments. This comprehensive program covered the importance of Responsible Minerals, compliance with regulations, certification procedures, and sourcing best practices. The high participation rate (90%) demonstrates our commitment to raising awareness and building expertise across the organization.

Company	EcoPro (Holdings)	BM	EM	Materials	Innovation	CnG	Total
<b>Trainees</b>	16	82	42	41	24	18	<b>223</b>

**Table 5.** EcoPro’s responsible minerals training results

We are dedicated to continuous improvement. We regularly update training materials and enhance our training system to ensure all employees receive enhanced responsible minerals training. In addition, we plan to provide customized training for new hires and those transitioning into relevant roles. We strongly encourage responsible sourcing practices among all employees.

## Internal System of Control

EcoPro's internal control system is used to manage the Company's oversight over its mineral supply chain. To achieve this, we leverage a system of transparency, supplier collaboration, and an effective grievance mechanism.

A crucial step in achieving transparency is to identify upstream actors and record relevant supply chain data. We track transactions with Responsible Minerals via a history management system, which includes warehousing records and lot-tracking from the raw material status to the product integration stage. Information on the supply chain is collected through annual activities which include know your counterparty (KYC) questionnaires and a mineral reporting template (MRT). The KYC questionnaire requests basic Company information from direct suppliers including their identity, location, and beneficial ownership. The standardized MRT questionnaire provided by the Responsible Minerals Initiative (RMI) is used to understand the mineral supply chain from each supplier, with focus on identifying the country of material origin and smelters/refiners. Furthermore, the described activities contribute to our ongoing efforts to identify all actors up to mine sites in high-risk supply chains.

The first step in supplier collaboration is to communicate EcoPro's responsible sourcing commitments, via disseminating our policies and the Code. We request an annual policy commitment letter to promote compliance; suppliers are also notified in advance that compliance to policies may be verified via audits. We value transparency in relationships with our counterparties, which is why we maintain detailed communication records and invoice receipts and avoid cash transactions. In case of potential non-conformances with our responsible sourcing commitments, we prioritize engagement with suppliers to minimize risks and help improve their performance before terminating contracts as a last resort.

All documents and records related to responsible sourcing are maintained in a computerized database for a minimum of ten years. We implement strict measures to prevent the unauthorized data leaks in accordance with our [Code of Ethics](#).

## 5. KEY RISKS IDENTIFIED AND MEASURES TAKEN

### Methods to Identify Risks

#### Red Flag Identification

The mineral supply chain of EcoPro extends worldwide, including jurisdictions known as conflict-affected and high-risk areas (“CAHRAs”). These areas are characterized by the presence of armed conflict, widespread violence, and other risks of harm to people. Our CAHRA identification process considers both qualitative and quantitative indicators that describe/classify and score countries based on credible international indices. This allows us to identify red flags in our supply chain. Qualitative indicators are obtained from government sources, such as the EU CAHRA List and the Dodd-Frank Act as well as from adverse media reports. The three qualitative indicators include conflict (Rule of Law in Armed Conflicts), risks (Know Your Country), and human rights (Rights and Accountability in Development Limited). To assess countries with respect to each other, different quantitative indicators are used to evaluate levels of conflict (Heidelberg Conflict Barometer, Vision of Humanity Global Peace Index), governance (Cato Institute Human Freedom Index, WJP Rule of Law Index), and human rights (UN Human Development Program). Countries are classified as CAHRAs based on their average aggregated scores, which meet a company-defined threshold. Our CAHRA identification process was first introduced in 2022 and updated in 2023. Records of countries or regions that are identified as CAHRA based on the above indicators are maintained.

To ensure that all our supply chain partners are aware of EcoPro’s responsible sourcing commitments in relation to critical supply chain risks and frameworks/regulations, we distribute a training package to all newly approved and existing counterparties. As the supplier training program was only rolled out in 2023, we will continue to enhance it to address risks that are more specific and incorporate regulatory requirements that are relevant to us.

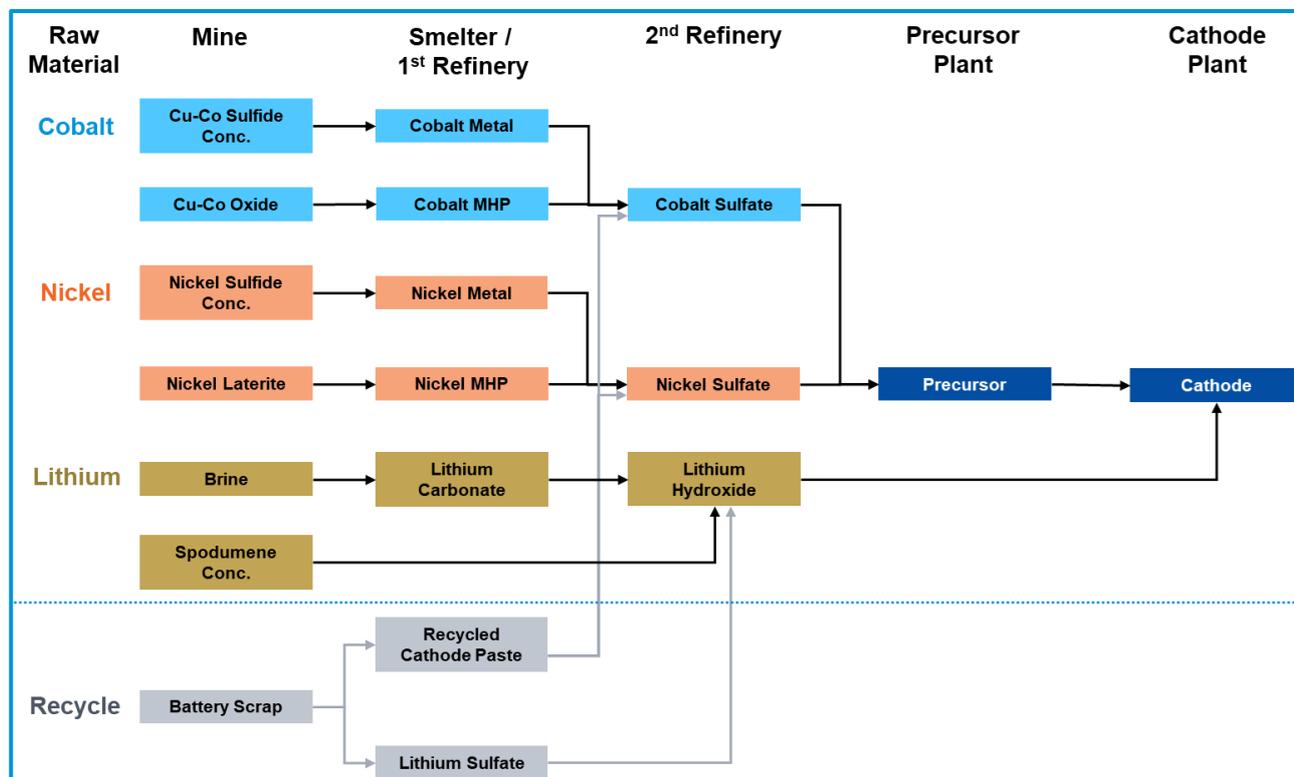
We confirm the smelter/refinery identity and country of material origin based on the KYC and MRT questionnaires that it distributes to direct suppliers, which include mines, smelters, refineries, and processing plants. In the event that minerals are produced or transported by a supplier through an identified CAHRA, we raise a red flag. For supply chains with a red flag, we conduct further due diligence activities, such as desk-based research or dispatching company or third-party personnel for on-site visits. The risk categories are split into two groups, as shown in Table 6.

	High-Risk	Low-Risk
Criteria	<ul style="list-style-type: none"> <li>i. Presence of a CAHRA; and,</li> <li>ii. Smelter/refinery is not listed as RMAP conformant; or,</li> <li>iii. Smelter/refinery has an expired RMI CID; or,</li> <li>iv. Severe humanitarian situations such as war or genocide</li> </ul>	Any situation that is not a high-risk

**Table 6.** Risk levels categorized by circumstance

## Results of Risk Identification and Assessment

EcoPro's supply chain originates at the mine-site and moves through smelters, refineries, precursor, and cathode plants – following the process illustrated in Figure 2.



**Figure 2.** EcoPro's supply chain map

EcoPro is working on achieving full visibility over the supply chain – in total the Company has **22** direct suppliers and **30** unique sub-supplier sites, creating a supply chain with **52** distinct counterparties across its upstream refiners. We categorize our refiners into two groups: primary and secondary. Primary refineries engage in smelting, refining, or recycling through physical methods. Secondary refineries employ chemical methods.

The number of suppliers transposed from EcoPro's supply chain map is shown in Table 7.

Raw Material	Smelter / 1 <sup>st</sup> Refinery	2 <sup>nd</sup> Refinery	Total
Cobalt	10	6	16
Nickel	12	6	18
Lithium	12	6	18
<b>Total</b>	<b>34</b>	<b>18</b>	<b>52</b>

**Table 7.** EcoPro's number of supply chain sites

In accordance with the risk classification outlined in Table 6, we conducted a supplier risk assessment and categorized each supplier and sub-supplier into high and low-risk categories. The aggregated outcomes, by material type, are presented in Table 8.

Raw Material	Smelter / 1 <sup>st</sup> Refinery		2 <sup>nd</sup> Refinery		Total	
	High	Low	High	Low	High	Low
<b>Cobalt</b>	4	6	0	6	4	12
<b>Nickel</b>	0	12	0	6	0	18
<b>Lithium</b>	0	12	0	6	0	18
<b>Total</b>	<b>4</b>	<b>30</b>	<b>0</b>	<b>18</b>	<b>4</b>	<b>48</b>

**Table 8.** Risk assessment of EcoPro’s supply chain sites

Our most common high-risk materials originated from cobalt mine site and, to a further extent precursor smelters. The Democratic Republic of Congo (DRC) presents our most significant CARHA within our supply chain, accounting for 70 percent of global cobalt production. During the report period, we identified 4 high-risk suppliers of cobalt across our direct and indirect suppliers.

Our assessment of the cobalt supply chain relied on the RMI’s list of RMAP-conformant smelters and refiners. While most of our direct and indirect suppliers maintained their status throughout the reporting period, a number of suppliers’ memberships expired. These memberships require renewal to ensure continued responsible sourcing practices.

Lithium was primarily sourced from Chile, Argentina, and Australia, which are not considered CAHRAs. Only one supplier appeared on the RMI conformant processors list. Additionally, some lithium material came from customer-designated sources or through customer transactions, which as resulted in limited supply chain transparency in such cases. For further information on the measures taken to address these challenges, please refer to section entitled “Methods to Mitigate Risk and Challenges and Future Areas of Focus” below.

We source the majority of our nickel from Indonesia or Australia, neither of which are considered CAHRAs; although only a small portion of these nickel suppliers were RMAP-conformant, these suppliers were undergoing audits. In February, we terminated transactions with nickel mines located in Russia, which had been identified as high-risk in 2022. This decision was based on the ongoing situation and the unlikelihood of significant risk mitigation in the near future.

We conducted two thorough on-site audits at our key precursor supplier in February and June. Our assessment methodology consisted of a factory visit, interviews with management, an on-site inspection, and an evaluation of the production process to assess operational practices. We also audited a smelter in Indonesia, in which the Company has an investment, with three on-site visits during May, August, and October. The audits in Indonesia involved inspecting the production workshop environment and logistics operations. We also leveraged the expertise of a global advisor to conduct an ESG Risk Assessment for the smelter. The advisor concluded that the smelter met RMI’s Risk Readiness Assessment (RRA) criteria. The RRA is requested for the RMAP assessment every year and EcoPro’s financed smelter was in full or partial

conformance with all criteria except for discrimination and harassment, gender equality, GHG emissions, and energy consumption. We have encouraged them to develop and implement a corrective action plan to address these specific areas.

## DAP Audits

EcoPro BM launched an initial DAP audit in 2021 to identify gaps between its own management system and the OECD Due Diligence Guidance five-step framework. The audit yielded three rounds of Corrective Action Plans (CAPs), with the third round of CAPs finalized during the 2023 calendar year. In total, EcoPro BM was found to have 12 non-conformances in the areas of supply chain transparency, supplier management, employee training, risk assessment and risk mitigation.

In terms of transparency, we encountered challenges in identifying smelters upstream from its direct suppliers. To conform and obtain better coverage over its supply chain, we began collecting information from mine sites, smelters, and refineries through the Responsible Business Initiative's standardized Extended Minerals Reporting Template (EMRT). The EMRT, which is uniquely designed for cobalt- and mica-bearing minerals, was implemented in 2023 to obtain and consolidate information on countries of origin and mineral transport. The EMRT and supplier engagement are thus critical aspects of transparency in our management system and will continue to be part of our risk identification, assessment, and mitigation procedure.

To improve our performance in supplier management, the DAP audit recommended that we adopt more formal measures to communicate our requirements to suppliers for their supply chain due diligence measures. To close this gap, we launched the Supplier Code of Conduct on 31 August. The Code outlines explicit supplier expectations for due diligence what we have for our supplier, along with the penalties for non-compliance.

In the area of employee training, we were advised to formalize training on the Company's due diligence management system. We will thus methodically establish a systematic training schedule as part of a refresher for existing employees and for newly hired employees. Additionally, we intend to broadly improve our training programs by tailoring responsible sourcing themes to functional units. For instance, employees in the Procurement Department are responsible for integrating responsible sourcing requirements into supplier contracts, conducting supply chain mapping, and supplier engagement in conformance with the RSMR. Employees in more supportive functional departments will receive training on company policies, the broader responsible minerals landscape, and the strategic alignment to EcoPro's operations.

The DAP audit also found opportunities for improvement of our risk assessment and mitigation process, to align more closely with the OECD Due Diligence Guidance. We are working on building a more robust due diligence process in line with the auditor's recommendations to assess its smelters' due diligence activities, collect information from EMRTs, and enhance its internal procedure for evaluating red flags and creating mitigation plans.

## Methods to Mitigate Risks

Once a supply chain risk assessment is completed, a report summarizing the potential risks and identified impacts is presented to the senior management. Based on these findings, a risk management plan is adopted for each identified risk with the following outcomes:

- i. Business is continued with the supplier while they implement specific and measurable actions to mitigate identified risks;
- ii. In the case of significant risks, trading with the supplier may be suspended temporarily while mitigation

efforts are undertaken; or,

iii. In the case that risk mitigation is deemed infeasible, the contract with the supplier will be terminated.

The implementation of risk mitigation measures involves continuous monitoring and regular reporting to management on an annual basis. Suppliers are required to identify changes in their environment and reassess risk levels as well as revise the risk mitigation plan based on the changes. We reserve the right to suspend or terminate business relationships if the suppliers have demonstrated an inadequate process for mitigating identified risks.

To address some of the risks linked to the sourcing from the DRC and other CAHRA regions, we plan to engage with indirect suppliers to align with the Initiative for Responsible Mining Assurance (IRMA) Standard for Responsible Mining, a comprehensive ESG standard for large-scale industrial mines (LSM). We are currently working with our procurement teams to incorporate participation in third-party audits, such as IRMA and RMI, into all new raw material contracts beyond 2024. While we have not yet received specific feedback from the supply chain, we recognize the need to establish a realistic timeline in consultation with our internal and external stakeholders.

In February we terminated transactions and no contract extension with all Russian nickel mines due to high-risk classification which were identified 2022. While no direct assistance was offered to the supply chain to mitigate risks and improve practices prior to contract termination. To further strengthen our supply chain due diligence, a written third-party audit was conducted on six raw material suppliers of EcoPro BM.

We did not receive any supply-chain related grievances from its subsidiaries' grievance mechanisms during the 2023 reporting year.

## 6. ACCOMPLISHMENTS AND MILESTONES FROM 2023

In 2023, we strengthened our commitment to responsible sourcing. We distributed a Responsible Sourcing Policy and received commitment letters from our direct suppliers. Following the DAP audit and subsequent corrective actions, we are pleased to have improved our management system through the adoption of new policies and procedures including the Supplier Code of Conduct, enhanced CAHRA identification procedure, supplier/employee trainings, and involvement in third-party assurance schemes.

We launched our Supplier Code of Conduct in August, which requires counterparties to establish their own robust due diligence management systems in line with the OECD Due Diligence Guidance. The Code includes provisions for third-party audits upon EcoPro's request and foresees contract suspension or termination for non-compliance. The Code will be subject to regular review and updates to set ambitious requirements for suppliers in line with evolving stakeholder expectations. This will help us to our commitment to upholding human rights, protecting the environment, and engaging in responsible business practices.

We were able to map our direct and indirect suppliers and group them into high- and low-risk categories. By identifying counterparties operating in CAHRAs and RMI-conformant facilities, we have gone a step further in its risk assessment process. This improvement was facilitated by efforts to collect data from all our suppliers during the reporting year using both the RMI's Extended Minerals Reporting Template (EMRT) and the Pilot Reporting Template (PRT) – providing more detailed information regarding the origin of minerals, names, and contacts of suppliers.

To communicate our expectations for suppliers, we have developed a supplier training package which is widely distributed to newly approved and existing counterparties. The training outlines critical supply chain risks and an explanation of important frameworks and regulations with which EcoPro is aligned.

We are working to ensure all our subsidiaries can demonstrate their responsible sourcing practices through participation in third-party assurance. This includes having them listed on the RMI's RMAP and DAP Conformant List. In 2023, we initiated the RMAP audit process for EcoPro Materials due to its involvement in raw material refining and precursor production for Nickel (Ni) and Cobalt (Co). We plan to expand our participation in this program to other subsidiaries from 2024 step by step.

We conducted written ESG assessment on six of EcoPro BM suppliers through a second-party company. We have shared the results with the suppliers themselves. Moving forward, based on the findings needing improvement, we plan to develop and implement action plans to help these suppliers enhance their responsible sourcing practices.

## 7. CHALLENGES AND FUTURE AREAS OF FOCUS

### Challenges

The highest risks identified in our supply chain are linked to the procurement of cobalt from the DRC, where most of the world's cobalt supply originates from. While this area is exposed to significant risks, certain due diligence measures such as on-site inspections may be difficult to arrange and implement. This is why we intend to expand our engagement with upstream suppliers and promote the adoption of credible responsible mining standards in our supply chain.

Some lithium volumes can be challenging to obtain transparent supply chain information for. Limited disclosure from direct suppliers hinders our ability to achieve full visibility over the supply chain. This includes situations where direct suppliers are unwilling to disclose their own supply chain, or where they are customer-designated or the customer acts as a trader. These situations can be led to use of general supply contracts, rather than a mineral-specific contracts. To address this challenge, we plan to implement incorporating contract clauses requiring RMI audits for certain transactions in addition to regular training for our supply chain partners. In addition, we strongly encourage such suppliers to enter into contractual agreements that include a requirement for supply chain transparency as an annex. This would solidify responsible sourcing commitments.

Overall, EcoPro's responsible sourcing program is still in its early stages. So far, we have only been able to gain limited visibility over the supply chain. Effective implementation of comprehensive due diligence measures is also affected by EcoPro's relatively limited leverage.

Assessment and prioritization of risks from red-flagged counterparties across lithium, cobalt, and nickel supply chains remains a challenge that we hope to address with further improvements its due diligence management system over the next reporting period. Specifically, we intend to develop more robust internal procedures and management structure for risk assessment and mitigation.

### Future Areas of Focus

We are working on various initiatives to strengthen our responsible sourcing practices. Our plan for the 2024 year includes implementing corrective actions based on the DAP audit results and stakeholder feedback, expanding the mineral scope of future disclosures, enhancing employee training, and promoting third-party assurance for suppliers through contract requirements.

We will continue implementing corrective actions based on the findings from the DAP assessment and feedback from ongoing implementation of its existing RSMR. With an improved visibility over its direct and indirect suppliers, we will focus its efforts in 2024 on assessing risks linked to individual suppliers. A combination of desk-based and potentially on-site research will help determine the likelihood and severity of risks in red-flagged supply chains and inform subsequent mitigation measures. Combining practical learnings from the risk assessment with DAP outcomes, we will revise and enhance its due diligence management system to establish a more comprehensive approach to due diligence. This includes building a strong internal governance structure, further defining roles and responsibilities across divisions, as well as updating internal risk assessment and mitigation procedures. We are also interested in studying and aligning with relevant requirements from the EU Battery Regulation and Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains.

The mineral scope for this Report was limited to nickel, cobalt, and lithium; however, we intend to expand its disclosure to incorporate other relevant minerals, such as aluminum and manganese in future iterations.

To ensure employees understand our commitment to responsible minerals sourcing, we will offer different training programs based on employee needs, this includes:

- **New Hires & Reassigned Employees:** A program will be developed to introduce new hires to the concept of responsible sourcing and its importance. This program will focus on the big picture and how it aligns with our values.

- **Annual Awareness Training:** All employees will participate in an annual training on responsible minerals. This will cover the broad overview of responsible minerals sourcing and highlight the specific actions what we are taking to ensure ethical sourcing practices.

- **Deep Dive for the Purchasing Team:** Our procurement team plays a critical role in responsible minerals sourcing. Starting in Q3 2024, the ESG office will hold weekly meetings to discuss key topics with every subsidiary purchasing teams, including:

- Updates of EcoPro corporate policies and internal procedures to align with the requirements of the EU Battery Regulation
- Conducting written supply chain surveys using KYC and MRT and mapping the entire supply chain
- Identifying Conflict-Affected and High-Risk Areas (CAHRAs)
- Implementing strategies for supply chain risk management

In addition to these meetings, we will be providing the purchasing team with dedicated 30-minute training sessions to further enhance their knowledge and awareness of responsible sourcing practices.

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