CCCMC

Mineral Supply Chain Due Diligence Assessment

Summary Report

Assessed Party	Sichuan Hongda Co., Ltd.				
Assessment Date	08/25/2024-08/26/2024				
Assessed Material	Zinc				
LME-listed Brand	G CI SHAN SHG				
Assessment Type	☑Main Assessment ☐Tracking Assessment				
Assessment Result	☐AAA	☐AA	☑A	☐B	☐C
Assessment Firm	China Standard Conformity Assessment CO., LTD (CSCA)				
Assessor	Yazhen Qiao, Dong Yang, Libing Liu (trainee), Zhe Wang (trainee)				

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 Responsible 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 Responsible 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 (CCCMC) 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 do 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 do 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.

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1. Assessed Party

Company Name	Sichuan Hongda Co., Ltd.
Refinery Name	Sichuan Hongda Co., Ltd.
Location	Jiuligeng Village, Shigu County, Shifang City, Deyang City, Sichuan Province, China
Profile Number	DDMSC-CNZn0132

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	G CI SHAN SHG		
Types of Materials	☐ Mine materials	☐ Recycled materials	☑ Both
Assessment Period	☑ 12 months: 07/01/2024 - 06/30/2025 ☐ Less than 12 months:		

4. Summary of Assessment Results

Assessment Result	A

Step 1: Establishing A Corporate Due Diligence System	
Develop and adopt due diligence policy	The Company has formulated and approved the *Zinc Supply Chain Due Diligence Policy,* which complies with the requirements of the *Chinese Due Diligence Guidelines for Mineral Supply Chain*. The Policy is publicly released on its official website.
Structure appropriate internal management systems	The Company has established a Supply Chain Due Diligence Management Committee and a cross-departmental Joint Office for Supply Chain Due Diligence Management. Senior managers have been appointed as the chairperson and vice-chairperson of the committee, and heads of various departments have been appointed as members of the joint office, responsible for the operation of the supply chain due diligence management system. The Company has formulated an accountability and performance assessment mechanism for due diligence management, and regularly assesses the work of relevant positions. Management personnel and employees have received training on mineral supply chain due diligence management.

Establish a system of controls and transparency over the supply chain	The company has established supply chain control and transparency systems and developed control documents such as *Information Collection Letter, Know Your Supplier (KYS) Questionnaire, the Information Table of Zinc Raw Material Chain of Custody in Mineral Source Areas etc.* to collect and understand the Company's mineral supply chain traceability information. For supply chains that trigger warning signals, *Mineral Supply Chain Risk Management Procedure* requires further supplementary collection of supply chain traceability information.
Strengthen engagement with suppliers	The Company has formulated *Contract Responsibility Clauses* and *the Supplier Code of Conduct*, and required suppliers to sign them, and conveyed due diligence requirements to suppliers through online and in-person communication. Training to support the suppliers' capacity building and promote their due diligence management performance have been conducted.
Establish a company level grievance mechanism and/or participate an industrial level grievance mechanism	The Company has established and released the *Grievance Mechanism for Supply Chain Due Diligence* and *Management Measures*, covering the scope, methods, channels, and handling of appeals. The Company has identified and committed to participating in the grievance mechanism at the industry level.
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 established the *Conflict Affected and High Risk Areas (CAHRAs) Identification Procedure* and conducted supply chains warning sign review. The Company verified information by distributing and collecting *Know Your Supplier (KYS) Questionnaire* and *Information Table of Zinc Raw Material Chain of Custody in Mineral Source Areas.* Review results indicated that no warning signs have been identified in the Company's supply chain. During the verification process of supply chain transparency information, the completeness of written evidence retention needs to be further improved.

When warning signs are identified, companies shall conduct an on-the-ground assessment of the corresponding supply chain	Through the review process, no warning signs have been identified in the Company's supply chain. No need to conduct an on-the-ground assessment.
Assess risks in the supply chain	The Company has carried out supply chain risk assessment and formed the *Risk Assessment Report*.
Step 3: Risk Prevention and Mitigation	
Report risk assessment results internally	The company conducted a risk assessment of the supply chain and formed a *Risk Assessment Report*. The risk assessment results have been reported to the *Supply Chain Responsibility Management Committee*.
Develop and adopt risk management plan	The Company has developed and approved the *Risk Management Plan,* covering mitigation strategies for different types of risks. During the assessment period, some individual suppliers failed to reach a written consensus on the risk management plan, and the company did not disclose the risk management plan.
Implement risk management plan, monitor and track performance of risk mitigation strategies	The company has established a *Risk Management Plan Implementation and Monitoring Procedure* to ensure that the implementation of the risk management plan can change according to environmental changes. The Company failed to provide relevant evidence to demonstrate that it had engaged in communication, consultation and cooperation with local and central governments, international or non-governmental organizations and other stakeholders regarding measures such as the implementation, supervision and performance tracking of the risk management plan. The Company did not incorporate community supervision forces in the implementation of the risk management plan.

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 *Additional Risk Assessment Needs Form,* and it will conduct continuous monitoring and additional assessment of risks that need to be mitigated when there are changes in the actual situation or supply chain during the implementation of the *Risk Management Plan.*
Step 4: Internal and External Assessment	
Companies should establish internal assessment system, to continuously monitor and manage due diligence performance	The Company has conducted internal assessment and completed the *Internal Assessment Report*. Appropriate improvement plans were formulated for the items that needed improvement identified in the internal assessment, and the implementation effects were monitored. During the assessment period, the members of the internal assessment team failed to attend the internal auditor training for internal auditors in a timely manner.
Companies should designate the second or third party to conduct assessment when applicable	This is the third time for the Company to participate in the independent third-party assessment of supply chain due diligence. The Company has provided necessary 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 has committed to publicly disclose the *Assessment Summary Report of Supply Chain Due Diligence*.
Step 5: Reporting and Communication	
Develop due diligence progress report	The Company has developed the *2025 Annual Supply Chain Due Diligence Progress Report*.

With due regard to business confidentiality and other competitive concerns, companies should publish due diligence progress reports or summary	The Company has published the *2025 Annual Supply Chain Due Diligence Progress Report* to the public. Link: `http://www.sichuanhongda.com/investorList.aspx?t=21#pagetop`
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