Sichuan Hongda Co., Ltd.
2026 Annual Progress Report on Supply Chain Due Diligence Management

About This Report

Prepared by:
Sichuan Hongda Co., Ltd. (hereinafter referred to as "the Company," "we," or "our").

Scope of Reporting:
This report covers the Company's mineral supply chain due diligence management system, including risk identification and assessment, risk mitigation, auditing and evaluation, and reporting steps. The information and data primarily reflect supply chain due diligence activities conducted between July 2025 and June 2026. For continuity, some content and data may reference key developments from prior years.

Reporting Framework:
Aligned with:

China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) – *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*
OECD – *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*
London Metal Exchange (LME) – *Responsible Sourcing Policy*
UN Guiding Principles Reporting Framework

Special Note:
This disclosure complies with the **LME’s Responsible Sourcing transparency requirements** (www.lme.com/Company/Responsibility/Responsible-sourcing）.

Updates & Feedback:
The Company updates this report annually. Stakeholders may access progress reports via our official website: www.sichuanhongda.com. We welcome feedback on our due diligence efforts (Contact: shouhai.he@sichuanhongda.com).

Foreword

Zinc ranks as the world's fourth most widely used metal, following iron, aluminum, and copper. It plays a pivotal role in transportation, infrastructure development, electronics, and renewable energy. Zinc-ion batteries, utilized in electric vehicles, are also considered safer than lithium-ion alternatives. As the global energy transition advances toward a low-carbon economy, demand for zinc is poised to expand further. While growing demand for metallic minerals fuels industry prosperity, it also brings unprecedented challenges—environmental sustainability, innovation, investment, and social license to operate.

Over the past decade, the international community has actively worked to sever ties between industrial and commercial activities and human rights violations, conflict financing, and other severe adverse impacts. A series of global standards and guidelines have emerged to regulate corporate supply chain due diligence, including:

The ***OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (3rd Edition)*** (hereafter "OECD Guidance")

The ***China Due Diligence Guidelines for Responsible Mineral Supply Chains*** issued by CCCMC (hereafter "China Guidance")

This trend reflects international consensus that businesses must implement supply chain due diligence to identify, prevent, mitigate, and account for actual or potential adverse impacts in their operations, supply chains, and business relationships.

We adhere to domestic and international laws and regulations, including those prohibiting illegal mineral trade and UN sanctions resolutions. We firmly oppose all forms of human rights abuses and conflict facilitation. By adopting and disseminating the ***China Guidance*** and ***OECD Guidance***, we provide a framework for addressing conflict-sensitive activities in mineral supply chains.

The Company commits to identifying and managing the following risks in its supply chain operations:

1. Serious violations associated with mineral extraction, transportation, or trade
2. Direct or indirect support to illegal non-state armed groups
3. Risks related to public or private security forces
4. Bribery, fraudulent misrepresentation of mineral origin, money laundering, and risks concerning tax, fee, and royalty payments to governments

We are committed to collaborating with industry partners and stakeholders to take collective action in building a sustainable and responsible mineral supply chain.

Supply Chain Due Diligence Committee

Sichuan Hongda Co., Ltd.

Table of Contents

Foreword..page2

Chapter 1: Company Profile...page5

Chapter 2: Supply Chain Due Diligence Practices..page7

2.1 Implementation and Enhancement of Due Diligence Management System**....page8**

2.2 Risk Identification and Assessment**..page9**

2.3 Risk Prevention and Mitigation**..page11**

2.4 Internal and External Evaluations**...page11**

2.5 Communication and Reporting on Risk Management Processes and Outcomes

...page12

2.6 Provision of Conditions or Collaborative Remediation When Appropriate

...page13

Chapter 3: Appendices..page14

3.1 Index of Responses to Reporting Requirements in *China Guidance* and *OECD Guidance*...**page14**

3.2 Index of Responses to *UN Guiding Principles Reporting Framework*.........**page15**

Chapter 1: Company Profile

About Sichuan Hongda Co., Ltd.

Sichuan Hongda Co., Ltd. is one of the five listed enterprises under Shudao Investment Group Co., Ltd. The Company was listed on the Main Board of the Shanghai Stock Exchange in 2001 (Stock Code: 600331). It boasts a registered capital of RMB 2.642 billion and nearly 2,600 employees. The Company operates two branches: Shifang Phosphorus Chemical Branch and Shifang Nonferrous Metals Branch. It holds controlling interests in six subsidiaries including Sichuan Mianzhu Chuanrun Chemical Co., Ltd., Sichuan Hongda Jinqiao Hotel Co., Ltd., Xizang Shudao Shengxin Mineral Trade Co., Ltd. and Sichuan Hongda Engineering Technology Co., Ltd., and holds equity in Xizang Duolong Mining Co., Ltd.

Core Businesses

In the phosphorus chemical sector, the Company has accumulated more than 60 years of profound experience. It was among the first enterprises to master the pressure spray fluidized drying technology for ammonium phosphate slurry and construct industrial demonstration facilities. The Company has developed an industrial-grade ammonium phosphate production model featuring co-production of fertilizer and salt as well as cascade resource utilization. Its flagship products — Yunding monoammonium phosphate and compound fertilizers — have won the title of "Sichuan Famous Brand Product" on multiple occasions. Well-received in domestic and global markets, these products enjoy an excellent reputation.

In the nonferrous metal mining and metallurgy sector, backed by over 30 years of experience in hydrometallurgical zinc smelting, the Company has mastered advanced technologies for lead-zinc mining, beneficiation and smelting, alongside comprehensive recovery of associated rare and precious metals. Its Cishan branded products, including zinc ingots, hot-dip galvanizing alloys and foundry zinc alloys, make the Company a key supplier of zinc alloy products for major steel enterprises such as Baoshan Iron & Steel Co., Ltd and Panzhihua steel & iron group corporation.

In the natural gas chemical sector, relying on abundant natural gas resources, the Company manufactures natural gas chemical products such as synthetic ammonia (liquid ammonia), with its comprehensive energy consumption standing at a leading level in the industry.

With regard to auxiliary industries, the Company actively expands technology services and hospitality services to deliver comprehensive support to customers.

Future Vision

Looking to the future, under the leadership of Shudao Investment Group, the Company will uphold the development philosophy of Safety First, Quality Foremost, People's Wellbeing Paramount, Benefit Priority. It will follow the development guideline of Integration of Mining & Chemical Industry, Integration of Mining & Metallurgy, Combination of Metallurgy & Chemical Engineering, and Industrial Coupling. The Company will focus on two major industrial chains: green phosphorus chemicals, and integrated nonferrous metal mining, beneficiation and smelting. It will strengthen innovation, advance the high-end, intelligent and green transformation and upgrading of traditional industries, and strive to develop into a leading national enterprise in both phosphorus chemicals and nonferrous metals industries..

Chapter 2: Supply Chain Due Diligence Practices

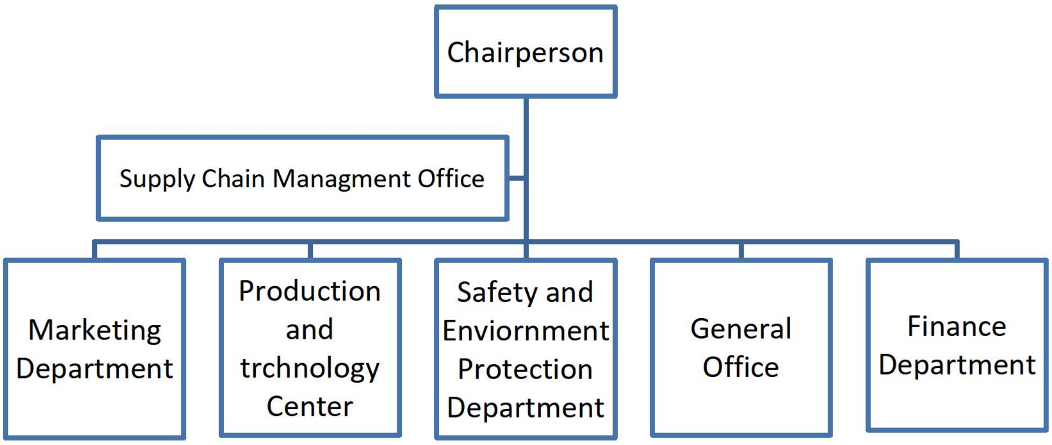
The Company’s primary zinc raw materials are extracted from mine ores and smelting materials sourced from domestic and international mines. All suppliers were assessed and confirmed as low-risk suppliers in 2025. The Company conducts rigorous supply chain due diligence on all suppliers to ensure all zinc-bearing materials provided by suppliers originate from legal and compliant sources.

2.1 Implementation and Enhancement of the Due Diligence Management System

The Company's supply chain due diligence management system has been operational for three and a half years, during which three internal and external evaluations were conducted, achieving the expected outcomes. *The Supply Chain Due Diligence Office formulated and approved the Corrective Action Plan (CAP)* for Supply Chain Due Diligence Evaluation Projects, which aggregates and addresses issues identified during assessments. In December 2025, the Supply Chain Due Diligence Committee reviewed and revised all procedural documents.

An internal supply chain due diligence framework has been established, supported by the Supply Chain Due Diligence Committee. The Committee comprises:

- Chairperson and Deputy Chairperson
- Supply Chain Management Office (overseen by the Marketing Company for daily operations)
- Representatives from key departments:
  - Marketing Department
  - Production and Technology Center
  - Safety and Environmental Protection Department
  - General Office
  - Finance Department



The company has established a supply chain control and transparency system to identify participants in the corresponding mineral supply chain, origin information (mining rights), transportation route details, as well as to fulfill tax and fee obligations to the government and make disclosures in compliance with Chinese laws and regulations.

The company has formulated the Procedure for Identifying "*Conflict-Affected and High-Risk Areas*" (CAHRAs), confirming that the countries involved in its operations and supply chains are not designated as conflict-affected or high-risk regions. Based on the company's *Red Flag Identification Checklist*, the assessment concludes that no red flags were triggered within the company's operations. The Company commits to rejecting zinc originating from high-risk regions involving human rights violations, support for illegal non-state armed groups, misconduct by public or private security forces, bribery, failure to abide by government provisions on taxes, fees and royalties, money laundering, conflict fuelling, violations of environmental and sustainable development laws, conflict zones, terrorist financing, illegal mining and World Heritage Sites.

This framework ensures responsible mineral sourcing aligned with internationally recognized due diligence standards.

Table 1: Supply Chain Traceability Information

The Company conducts "Red Flag Reviews" to compile and analyze the following critical supply chain data: 1.Country/Region of Origin for raw materials 2.Names and addresses of all entities in the supply chain,includes: Mining sites, local traders, warehouses, trading hubs, smelters, exporters, and international merchants 3.Transportation routes and Shipping methods 4.Trade names of minerals/metals and Product types 5.Direct suppliers' ownership structures and Beneficial ownership information for all known upstream enterprises

The Company fully recognizes that establishing a sustainable and responsible mineral supply chain requires concerted efforts from all parties, and is committed to collaborating with suppliers to jointly improve the supply chain due diligence management system. The Company has developed a supplier due diligence management procedure to oversee different types of suppliers, requiring key suppliers to sign the "*Supplier Code of Conduct*" to confirm their compliance with supplier policies aligned with the Company's due diligence policies. The Company maintains regular communication with suppliers to assist them in enhancing their due diligence performance.

The Company highly values the demands of stakeholders and fully acknowledges the importance of establishing communication channels. To promptly identify and address potential risks in the supply chain, such as those that may contribute to conflicts or human rights violations, and to ensure smooth communication between internal and external stakeholders and the Company, a grievance mechanism has been established along with detailed grievance management procedures.

The grievance mechanism provides a channel for both internal and external stakeholders to express their expectations and demands, and serves as an essential component of the due diligence management system. All relevant parties may submit reasonable demands to the Company through the grievance mechanism. Under any circumstances, the Company guarantees that all received grievance materials will be handled, investigated, responded to, and archived independently, fairly, and objectively. As of the date of this report's release, the Company has not received any grievances.

In response to changes in corporate operations, supply chains, local government policy requirements, and other business relationships, the Company will periodically review and update its due diligence policies.

2.2 Risk Identification and Assessment

The Company conducts red flag screening to identify and assess risks associated with mining, trading, processing and export activities, and determines the scope of supply chain risk identification based on the screening results.

Table 2: Three Categories of Red Flags

Red Flags for Mineral Origin and Transportation Routes	1. Sourcing from Conflict-Affected and High-Risk Areas (CAHRAs) 2. Transportation passing through CAHRAs 3. Discrepancy between claimed and actual production capacity (e.g., declared origin country's output exceeds known reserves or expected production levels) 4. Transshipment through CAHRAs (origin country merely

	serving as a transit point) 5.Recycled materials processed in CAHRAs
Supplier Red Flags	**Operations in High-Risk Areas** 1. Supplier or upstream entities conduct business in Conflict-Affected and High-Risk Areas (CAHRAs) 2. Ownership/beneficial interest in suppliers located in CAHRAs **Historical Sourcing from Red Flag Zones** 1. Evidence of procurement from warned mining sites or transit countries within the past 12 months
Red Flags Under Specific Circumstances	1. Collect information to identify abnormal circumstances and determine whether mineral-related activities may contribute to conflicts or other rights violations; 2. Cases where the country of origin or transit countries of minerals cannot be determined.

As previously stated, the Company is located in China. According to the assessment conducted under the Company's "*Identification Procedure for Conflict-Affected and High-Risk Areas*", neither China nor any countries involved in our supply chain are classified as "Conflict-Affected and High-Risk Areas". Furthermore, based on the Company's "*Red Flag Identification Checklist*" evaluation, no red flags have been triggered in our operations.

Table 3: Partial Reference Materials for Risk Assessment

To enhance the objectivity of identifying and assessing "Conflict-Affected and High-Risk Areas," our evaluation references publicly available information from authoritative external sources, including but not limited to: 1. EU List of Conflict-Affected and High-Risk Areas: https://www.cahraslist.net/cahras 2. UN Security Council Sanctions Information: https://scsanctions.un.org/consolidated/ 3. Heidelberg Institute for International Conflict Research "Conflict Barometer": https://hiik.de/conflict-barometer/current-version/?lang=en 4. World Bank "Worldwide Governance Indicators": http://info.worldbank.org/governance/wgi/index.aspx#home 5. Great Lakes Region List: https://www.greatlakesofafrica.org/about-the-lakes/

2.3 Risk Prevention and Mitigation

The Company has established the principle of "prioritizing risk prevention," which is reflected in comprehensive internal control measures. These internal control measures specifically include a series of control procedures, such as the "*Prohibition of Forced Labor Management Procedure*" and the "*Prohibition of Child Labor and Remedial Control Procedure*", to assist various departments in concretely implementing and executing mineral supply chain due diligence management.

The Company regularly conducts training on mineral supply chain due diligence management, inviting internal trainers to deliver training on the due diligence management system and organizing specialized training sessions on supply chain due diligence. These efforts aim to enhance the overall level of supply chain due diligence management across the Company, with all training activities documented using standardized training record templates.

In Step 2 (Risk Identification and Assessment), we did not identify any evidence indicating that the Company's mineral supply chain directly or indirectly involves the four categories of risks listed in Appendix 1 of the "*Chinese Guidelines*" and *Appendix II of the "OECD Guidelines" (Third Edition)*. However, to prevent the occurrence of these four risk categories in our supply chain, we promptly developed a "*Risk Management Plan*." During actual production and operations, once potential risks in the supply chain are identified, we investigate the facts, report to the Supply Chain Due Diligence Committee, determine the specific areas where risks exist, and implement risk mitigation measures.

After establishing the "*Risk Management Plan*," we regularly review and track the effectiveness of risk mitigation strategies. If significant changes in risks occur, we promptly adjust the risk management approach, continuously monitor the risks, and conduct supplementary assessments to ensure effective risk mitigation. We also maintain ongoing collaboration with various stakeholders in the supply chain to jointly promote risk mitigation.

The Company fully consults suppliers and affected stakeholders during the formulation of risk management plans, reaches consensus on risk mitigation strategies specified in the plans, and grants stakeholders adequate time to review the risk management plans and provide feedback.

2.4 Conducting Internal and External Assessments

The Company established an internal assessment team, formulated an internal assessment work plan in May 2025, and conducted an internal assessment on Jun 26,2025. The assessment summarized issues and risk points, developed improvement plans, monitored implementation effectiveness, and ensured continuous oversight and management of due diligence performance.

Stakeholders such as trading markets and clients have raised due diligence requirements to ensure the supply chain is traceable, transparent, conflict-free, and does not contribute to human rights violations. We view this as an opportunity to enhance the Company's social reputation and secure stable market prospects through external assessments. In response to mineral supply chain due diligence requirements, we underwent an external assessment on August 25-26, 2025, successfully obtaining the assessment certificate. This fully meets stakeholders' expectations for supply chain compliance and transparency. We attach great importance to each audit and assessment. For the issues identified in this assessment, we have developed an action improvement plan to effectively enhance supply chain due diligence performance. To further improve supply chain transparency, the assessment summary report has been published on the Company's official website (http://www.sichuanhongda.com/Uploadfiles/Files/2026-8-6/2026861041119094.pdf), and we welcome public review and oversight.

Moving forward, we will continue leveraging external assessments as opportunities to refine our supply chain due diligence management system. By adhering to higher standards, we will fulfill our commitment to responsible mineral supply chains and collaborate with stakeholders to build a sustainable industrial ecosystem.

2.5 Communicating and Reporting on Risk Management Processes and Outcomes

The Company regularly updates due diligence progress reports, which are accessible to relevant parties in the annual *Supply Chain Due Diligence Report*. This report is disclosed in accordance with the London Metal Exchange's responsible sourcing transparency requirements (refer to: https://www.lme.com/Company/Responsibility/Responsible-sourcing). We sincerely welcome suggestions from all sectors regarding our supply chain due diligence efforts.

The progress report is led by the Supply Chain Due Diligence Office and jointly prepared with input from various business departments. The report outline, content, and materials are collaboratively determined or collected by management and operational departments. Multi-departmental involvement plays a crucial role in ensuring the substance, effectiveness, and credibility of the supply chain compliance progress report.

Aligned with the *Chinese Guidelines* and referencing the *OECD Guidelines*, the progress report highlights the Company's due diligence management system (e.g., supply chain policies, management structure and responsible parties, supply chain oversight and traceability, grievance mechanisms, etc.), supply chain risk identification and assessment (e.g., identified risk factors, risk assessment results), and risk management (e.g., risk mitigation strategies in the Risk Management Plan, risk mitigation action plans, and performance monitoring and tracking efforts). These measures promote necessary information disclosure and enhance supply chain transparency.

2.6 Providing Conditions or Collaborating on Remediation When Appropriate

Remediation is not part of the due diligence process but rather a separate and critical process that requires provision of conditions and support under due diligence. The Company makes every effort to ensure potential impacts related to identified issues do not materialize.

Over the past 12 months, no incidents requiring remediation have occurred.

Chapter 3: Appendices

3.1 Index of Responses to Reporting Requirements in *China Guidance* and *OECD Guidance*

China Guidance	Page	*OECD Guidance*	Page
a.Corporate Due Diligence Policy	P8	1. Enterprise Management System	P8-9
b.Management Structure for Due Diligence	P8	a.Establish corporate supply chain due diligence policy	P8
c.Control and Transparency System	P8	b.Define management structure with accountable officers	P8
d.Supplier Engagement Approach	P9	c.Document mineral supply chain control system	P8
e.Grievance Mechanism & Case Handling	P9	d.Describe database/record systems for full-chain disclosure	P9
f. CAHRA Identification Methodology	P9-10	e.Disclose government payments per national laws	P9
g.Assessment Report Summary	P12	2. Supply Chain Risk Assessment	P9-10
h.Report Disclosure Channels	P2/P12	a.Publish risk assessment results (with commercial confidentiality safeguards)	P10
i.Annual Reporting Cycle	P2/P12	b.Detail field assessment methodologies and findings	P10
j.Chain of Custody Documentation	P10	c.Explain risk assessment methodology	P10
k.Raw Material Origin Data	P10	3.Risk Management	P11

l.Risk Identification & Assessment Methodology and Results	P9-11	a.Outline risk mitigation steps and stakeholder engagement	P11
m.Field Assessment Methods, Processes and Outcomes	P10	b.Disclose performance monitoring mechanisms	P11-12
n.Risk Management Plan Measures, Strategies, and Stakeholder Involvement	P11		
o.Risk Monitoring and Performance Tracking Results	P11		
p.Additional Disclosure Recommendations for Extractive Industry Transparency	P12		

3.2 Index of Responses to *UN Guiding Principles Reporting Framework*

Chapter		**Page**
Policy Commitment	A1	P3/P8
	A1.1	P3/P8
	A1.2	P3/P8
	A1.3	P9
Embedded Respect	A2	P8
	A2.1	P3/P8
	A2.2	P3/P8
	A2.3	P8-9
	A2.4	P9
	A2.5	P8-9
Statement of Salient Issues	B1	P10
Explanation of Salient Issues	B2	P10
Focus Regions (if applicable)	B3	N/A
Other Significant Impacts (if any)	B4	N/A
Chapter		**Page References for Addressing Each Salient Issue**
Specific Policies	C1	P8
	C1.1	P8

Stakeholder Engagement	C2	P7-12
	C2.1	P7-12
	C2.2	P7-12
	C2.3	P7-12
Impact Assessment	C3	P11-12
	C3.1	P11-12
	C3.2	P11-12
Integration of Findings and Implementation of Measures	C4	P8/P11
	C4.1	P8
	C4.2	P11
	C4.3	P11
Monitoring and Maintenance Status	C5	P11
	C5.1	P11
Remediation	C6	P9/P12
	C6.1	P9
	C6.2	P9
	C6.3	P9
	C6.4	P12
	C6.5	P12