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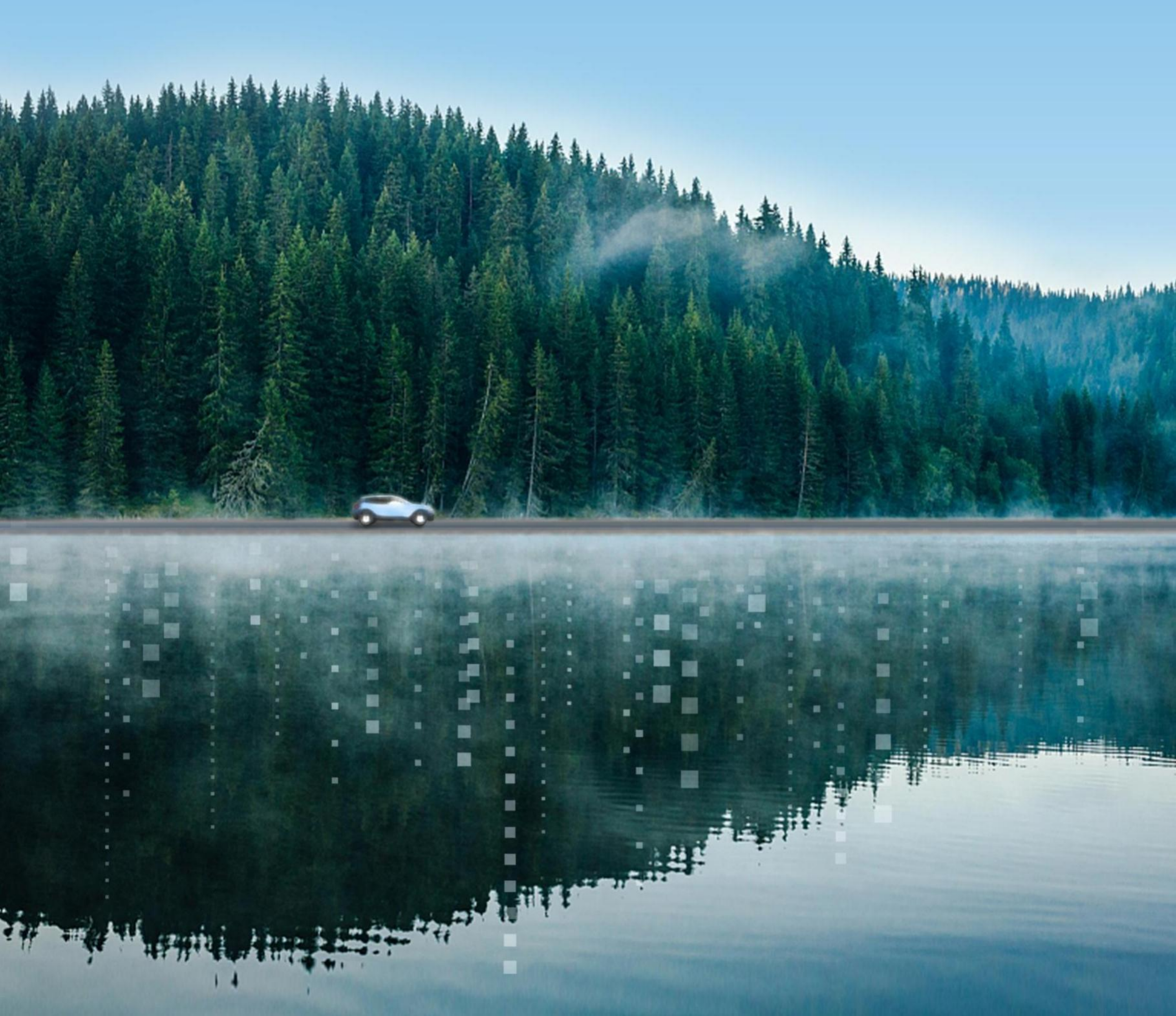
2025 Mineral Supply Chain Due Diligence Report for PT Zhongtsing New Energy

Stand June 2026



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1 Background

As the global new energy vehicle and power battery industries grow rapidly, countries around the world are continuously refining their legislation to protect domestic manufacturing and strengthen supply chain security. Current regulatory trends show a parallel movement towards both deregulation and tighter requirements.

European Union

The Corporate Sustainability Due Diligence Directive (CSDDD) will apply from 2029 only to enterprises with more than 5,000 employees and a global annual net turnover exceeding €1.5 billion, reducing the number of regulated entities by approximately 70%. The directive has simplified risk identification procedures, removed the climate transition plan requirement, and abandoned the creation of a unified EU civil liability mechanism.

Germany's Supply Chain Due Diligence Act amendment was passed by the cabinet on 3 September 2025. It proposes to fully abolish the annual reporting obligation (retroactive to 1 January 2023), and the act will be replaced by the CSDDD in the long term.

The new Battery Regulation fully replaces the previous Battery Directive. Due diligence obligations for battery raw materials have been postponed to 18 August 2027; digital battery passports will become mandatory from 18 February 2027; and the European Commission is expected to publish due diligence guidelines by 26 July 2026.

United States

Under the Inflation Reduction Act, the new standards taking effect in 2026 raise the traceability requirement for battery critical minerals to 60%. Batteries containing materials from "foreign entities of concern" will be ineligible for tax credits.

Indonesia

The Ministry of Energy and Mineral Resources (ESDM) continues to strengthen the application of Environmental, Social, and Governance (ESG) principles in national mining governance. The government has formally incorporated ESG elements into the assessment and approval process for mining companies' Work Plan and Budget (Rencana Kerja dan Anggaran Biaya, RKAB).

China

The State Council Regulation on Industrial Chain and Supply Chain Security (Order No. 834 of the State Council) was promulgated and took effect on 31 March 2026. It is China's first special administrative regulation on supply chain security.

The Foreign Trade Law was revised on 27 December 2025 and took effect on 1 March 2026.

The Regulations on Network Data Security Management have been in effect since 1

January 2025, integrating core obligations regarding cybersecurity, data security, and personal information protection.

Overall Perspective

Supply chain due diligence has shifted from voluntary initiatives to legally mandated obligations. Conducting thorough due diligence on Indonesia's nickel ore supply chain is of strategic importance for companies seeking to meet the requirements of diverse stakeholders and secure overseas market access.

The time period covered in this report: Feb 3, 2024 – Apr 20, 2025.

2 Company Information

Company Name: PT Zhongtsing New Energy（CID：CID004532）
Company Location: Jalan Trans Sulawesi, Kawasan Industri Morowali, Kab. Morowali, Sulawesi Tengah, Indonesia
Raw Materials: Nickel
Last Assessment Date: May 26-27 2025
Assessment Period: Feb. 3, 2024 – Apr. 21, 2025 **Assessment Company:** UL
Report Link: responsiblemineralsinitiative.org/media/docs/Public Reports/PT ZHONGTSING Public Report.pdf

3 Mineral Supply Chain Due Diligence Policy & Supplier Code of Conduct

To avoid the use of conflict minerals that directly or indirectly finance or benefit armed groups, and/or conflict minerals that involve other serious human rights abuses in high-risk and conflict-affected areas, ZTEN has established its Responsible Global Mineral Supply Chain Due Diligence Policy and Supplier Code of Conduct. These policies have been widely disseminated to all stakeholders.

ZTEN has also formulated an ESG Policy and a Human Rights Policy, and respects human rights in accordance with the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, and the principles of the United Nations Global Compact.

Additionally, ZTEN has formulated an ESG Policy and a Human Rights Policy, committing to respect human rights in accordance with the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, and the provisions of the United Nations Global Compact.

Policy Links： http://www.cngrgf.com.cn/shzr.html

4 Mineral Supply Chain Due Diligence Standards

ZTEN implements mineral supply chain due diligence in accordance with the following standards:

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (3rd Edition) – abbreviated as the OECD Guidance

Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (2nd Edition) – abbreviated as the China Guidelines

UN Guiding Principles on Business and Human Rights

UN Voluntary Principles on Security and Human Rights

Practical Actions for Enterprises to Identify and Address the Worst Forms of Child Labor in Mineral Supply Chains

All-Metal Due Diligence Standard

Supply Chain Due Diligence PLUS– SCDDP

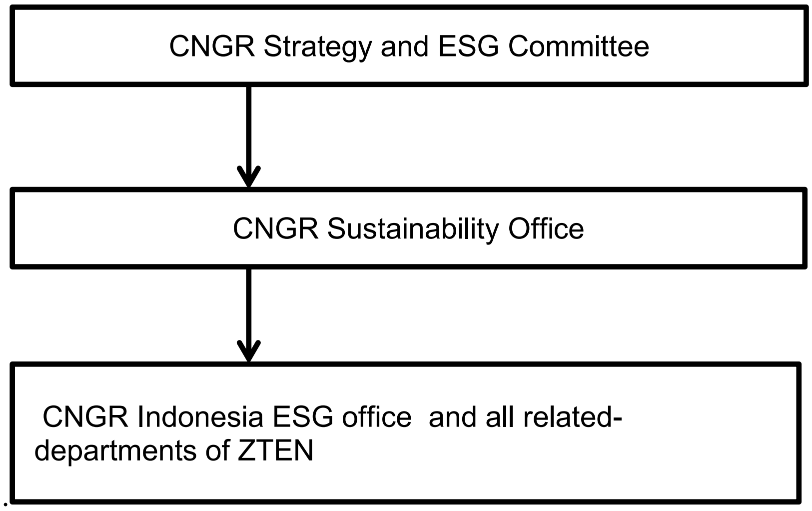
5 Six-Step Due Diligence Framework

Starting from 2023, ZTEN has implemented mineral supply chain due diligence according to the six-step framework outlined in the OECD Guidelines and the China Guidelines. ZTEN actively communicates the due diligence requirements to suppliers, including mines along its supply chain.

5.1 Establishing a Comprehensive Corporate Management System

To meet its strategic needs and enhance its environmental, social, and governance (ESG) performance, the parent company of ZTEN New Energy, CNGRNew Materials Co., Ltd., specially established the Board Strategy and ESG Committee in December 2023. Under the guidance of this Committee, the Sustainable Development Office carries out the day-to-day work, including the implementation of ZTEN's mineral supply chain due diligence management system. The results of this implementation are incorporated into the performance appraisal system, with defined assessment targets and corresponding rewards and penalties.

The mineral supply chain due diligence management for ZTEN New Energy is centrally coordinated by the Sustainable Development Office of CNGRNew Materials, with full support and cooperation from the Indonesia Regional ESG Office and all departments at the ZTEN.



Organizational structure for Due Diligence of ZTEN

ZTEN has established procedural documents related to mineral supply chain due diligence management and provides specialized due diligence training to all members of its organizational structure, as well as to other relevant personnel and supply chain partners. This is intended to increase the awareness of due diligence and ensure that the system is effectively implemented on the ground.

ZTEN has put in place material control systems to ensure that detailed records are kept for each batch of raw materials, including arrival date, weight, test results, trader, and mine of origin. ZTEN also maintains inventory counting procedures and conducts counts on a monthly basis.

ZTEN has established the CNGRNew Materials Grievance Management Procedure and manages complaints in accordance with the requirements of this procedure.
For grievance channels, please refer to the link below:
https://www.cngrgf.com.cn/en-US/sust/905.html

In 2026, ZTEN conducted a management review related to mineral supply chain due diligence. A management review report was issued, which assessed the rationality and effectiveness of ZTEN's due diligence management system, as well as its due diligence performance. Recommendations and suggestions for improvement were put forward, and the Sustainable Development Office is responsible for tracking the progress of these improvements.

At the same time, ZTEN firmly supports the transparency or information disclosure requirements established or endorsed by the governments of the host countries in which it operates, such as the principles and standards set forth in the Extractive Industries Transparency Initiative (EITI). This support has been stated in the Responsible Mineral Supply Chain Due Diligence Policy & Supplier Code of Conduct. According to the information on the EITI website, the Indonesia EITI report is currently updated to the 2024 reporting year. As such, it is not possible at this time to confirm through the latest report whether mining companies in the supply chain have submitted their EITI reports. However, ZTEN has already required its suppliers to comply with EITI requirements and has received positive responses from them.

All documents related to due diligence management are retained for more than 10 years.

5.2 Identification and Assessment of Supply Chain Risks

5.2.1 Identification of CAHRAs and Early Warning Signal Assessment

ZTEN conducts due diligence management for all nickel suppliers. Information pertaining to suppliers is regularly collected through reliable third-party information, KYS (Know Your Supplier) questionnaires, mineral origin surveys, on - site assessments, grievance mechanisms, customer feedback, and other means. During this reporting period, the coverage rate of information collection for nickel suppliers reached 100%.

Based on the above information, a supply chain map has been drawn up. The areas of mineral origin are assessed as Conflict-Affected and High-Risk Areas (CAHRAs) from three dimensions – armed conflict, human rights, and governance – using the following tools:

Tools used:

Heidelberg Conflict Barometer

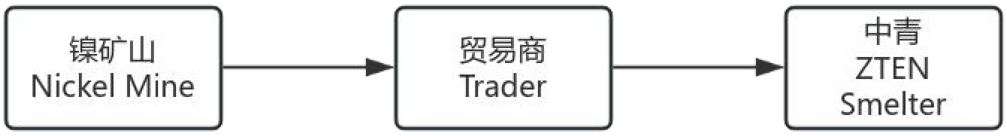
Corruption Index

Human Development Index (HDI)

EU Conflict Minerals Regulation CAHRA List

Dodd-Frank Act

UN Sanctions List, EU Sanctions List, US OFAC Sanctions List, and sanctions lists of the countries where ZTEN and its suppliers are located.



On-Site Assessment:

During 2025–2026, the Sustainable Development Management Team, together with third-party institutions, visited Indonesia and conducted on-site mine visits and IRMA Critical audits at local nickel mines. The visits and audits revealed that the due diligence management systems at the mines were not fully developed, and that relevant due diligence management system documentation was missing. However, no high-risk issues such as serious human rights abuses or armed conflict were identified.
Risk Identification and Assessment Results:

Risk Identification and Assessment Results:

All nickel raw materials used in ZTEN's production originate from within the territory of Indonesia. Based on ZTEN's CAHRAs identification results, Indonesia is not classified as a Conflict-Affected or High-Risk Area (CAHRA). Accordingly, no early warning signals were triggered in relation to the country of origin or transit countries, nor in relation to suppliers, nor under specific circumstances.

Through investigation, it was found that all suppliers in the supply chain and their relevant owners are not subject to any sanctions. Drawing on official public information, KYS (Know Your Supplier) questionnaires, mineral origin surveys, on-site assessments, grievance mechanisms, customer feedback, and other sources, no high-risk issues have been identified in the supply chain, including but not limited to: any form of torture, cruel, inhuman or degrading treatment; any form of forced labour; the worst forms of child labour; other serious human rights abuses and violations; serious violations of international humanitarian law; or direct or indirect support to non-state armed groups, or public or private security forces.

ZTEN therefore concludes that the due diligence risks are relatively low.

5.2.2 ESG Risk Identification and Assessment

ZTEN systematically identifies, assesses, and prioritises ESG risks in the supply chain, particularly those originating from upstream mines, to ensure that due diligence activities focus on the most severe and most likely risks. Following a "risk-based" approach, ZTEN prioritises risks based on the severity of impact (scale, scope, remediability) and the likelihood of occurrence, with severity taking precedence over likelihood.

To ensure that risk identification is comprehensive, objective, and authoritative, ZTEN integrates multi-dimensional data for ESG risk assessment: (i) external authoritative ESG risk data, including multi-level external information such as global and regional media sentiment, industry public reports, professional risk control databases, industry compliance system standards, academic research findings, and global ESG risk indices; and (ii) internal operational data reviews, which deeply incorporate past risk mitigation results, stakeholder grievance and remedy records, supplier assessment reports, and publicly disclosed ESG and compliance information. Through cross-validation of internal and external data, ZTEN enhances the accuracy of risk identification. At the same time, enhanced ESG-specific investigations are conducted based on the severity and likelihood of risks, culminating in a final risk prioritisation.

During this reporting period, following a systematic review, the ESG risks identified in the supply chain are categorised into two types: high-priority key human rights risks and routine minor management risks. No significant environmental, safety, corruption, or systemic human rights violation risks were found. The details are as follows:

(1) High-Priority Key Risks

One upstream source mine (Mine A) in the supply chain was found to have contractor labour management gaps. Although the mine has established anti-forced labour policy documents, implementation by contractors has been inadequate. Specifically, foreign workers' passports have been retained, and their autonomy and freedom of movement have been restricted. Moreover, the mine has not established a robust routine monitoring system for contractor human rights practices. This is identified as the highest-priority corrective risk for this reporting period. Another upstream source mine (Mine B) was found to have an incomplete fire alarm system.

(2) Low-Priority Minor Management Risks

These are limited to basic management shortcomings at upstream mines, with no substantive compliance violations: (i) some mines have low completion rates for safety targets, with significant gaps between planned and actual completion of key indicators such as safety inspections, safety meetings, and distribution of personal protective equipment (PPE); (ii) most mines have inadequate ESG information disclosure and low transparency.

The high-priority key risks identified in this period are confined solely to contractor labour management at two upstream source mines, and have not spread to other mines, raw material procurement, production and processing, logistics, sales, or other core operational chains of ZTEN. The low-priority minor management risks are all concentrated at the upstream supply chain management level and have not caused any material negative impact on ZTEN's overall compliance operations, production safety, or overseas market access. Overall, the scope of risk impact is manageable.

Risk Management Strategy and Mitigation Measures for Identified Risks

ZTEN adopts the following strategies for managing identified risks: (1) continue trading while implementing risk mitigation; (2) temporarily suspend trading while implementing risk mitigation; (3) terminate the relationship with the supplier if mitigation efforts fail, or if the company has reason to believe that risks cannot be mitigated, or if the mitigation results are unacceptable.

Based on the above ESG risk assessment results, ZTEN will adopt the strategy of continuing trading while implementing risk mitigation. For the identified high-priority key risks, ZTEN has communicated with the mines and reached consensus that the mines will formulate Corrective Action Plans (CAPs) for remediation. ZTEN will regularly follow up on the progress of remediation through email communication, periodic meetings, and other means.

Mine A and its contractor undertook immediate corrective actions. Through the collection of supporting evidence such as on-site photos and signed registers for the return of employee passports, it has been 100% confirmed that all foreign workers now personally hold their own passports, eliminating the risk of improper document retention. Mine A is currently improving its contractor management system and will incorporate on-site inspections of contractor labour practices (including but not limited to document custody, wage payments, working hours, freedom of movement, etc.) into its routine EHS (Environment, Health, and Safety) or specialised human rights audit programmes, and will provide human rights-related training to all relevant employees.

Mine B has promptly procured and commenced installation of a fire alarm system, with installation scheduled for completion by July 2026.

5.3 Develop and Implement Response Policies for Identified Risks

Overall risk mitigation measures: Continue trading.

According to the current risk assessment results, although there is no serious risk of human rights violations and child labor among direct employees in our supply chain, we will keep an eye on it and work with suppliers to formulate improvement countermeasures for the establishment and improvement of due diligence management system and the enhancement of awareness, and follow up regularly to jointly monitor and manage risks in the supply chain.

5.4 Independent Third-Party Evaluation and Auditing

ZTEN successfully passed RMI's RMAP and ESG audits, which were conducted in March 2024 and May 2025.

ZTEN actively promotes upstream mines to undergo independent third-party audits as well as second-party audits. In 2026, two mines underwent second-party audits by ZTEN and its customers.

5.5 Reporting Due Diligence Processes and Results

As of 30 June 2026, no complaints related to due diligence of the mineral supply chain were received through ZTEN's public grievance channels. Grievance handling: 0.
ZTEN prepares its annual report on nickel supply chain due diligence in the first quarter of each year and publishes it on CNGR official website.

5.6 Providing Conditions and Collaboration for Remediation

In accordance with the requirements of the second edition of the China Guidelines, ZTEN has added the requirements of Step 6, establishing and continuously improving a grievance and remedy mechanism to effectively address adverse environmental, social, and governance (ESG) impacts arising from the Company's operations or supply chain activities. During this reporting period, no events requiring remedy occurred.

6 Conclusion

ZTEN focuses on the construction of a sustainable supply chain, working closely with industry partners. By setting an example through its own actions, ZTEN practices responsible sourcing, establishes accountability mechanisms for stakeholders, meets regulatory compliance requirements, and enhances supply chain resilience and security. In the future, ZTEN will accelerate the establishment of a supply chain due diligence and compliance management system that meets international standards and continue to build a sustainable supply chain.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