

ECOPRO GROUP's Responsible Minerals Report 2022



December 31, 2022



Everyday Everywhere **EcoPro**

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1. About

A. Purpose

Recently, there has been an ongoing issue of illegal mining of minerals in conflict-affected and high-risk areas such as the Democratic Republic of Congo(hereinafter called "DRC") and neighboring countries as well as in the Russia-Ukraine war zone. This has led to a continued demand for companies to practice "responsible procurement" of minerals, in order to ensure that the minerals they purchase are not sourced from illegal or unethical mining operations in such areas.

EcoPro Group is continuously striving to improve the environment and human rights through its "responsible procurement" activities by avoiding purchasing raw materials that contribute to groups in conflict areas. Through this report, EcoPro Group aims to disclose its activities, increase transparency in its raw material procurement, and enhance its external reliability.

B. Responsible Supply Chain Policy

EcoPro Group uses cobalt, nickel, and lithium in their products. These minerals are not generally considered as conflict minerals which is 3TG (Tin, Tantalum, Tungsten and Gold) but for the goal of achieving a sustainable future in the field of secondary batteries and fulfilling the company's social responsibility, EcoPro Group has been managing its supply chain according to the " OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas " as set by OECD. EcoPro Group has established regulations for responsible minerals supply chain management and a system for managing it in order to purchase minerals that does not entail the risks as mentioned in the Annex II of the OECD guidance **[Table 1]**.

[Table 1] The risks as mentioned in the Annex II of the OECD guidance

Major Risk	Details
Regarding serious abuses associated with the extraction, transport or trade of minerals	Any forms of torture, cruel, inhuman and degrading treatment
	Any forms of forced or compulsory labour
	The worst forms of child labour
	Sexual violence
	War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide
Regarding direct or indirect support to non-state armed groups	-
Regarding public or private security forces	-
Regarding bribery and fraudulent misrepresentation of the origin of minerals	Money laundering
Regarding payment of taxes, fees and royalties due to governments (Failure to pay taxes, fees and royalties to the government)	-

i. Conflict Minerals

3TG (Tin, Tantalum, Tungsten and Gold) are commonly referred to as "conflict minerals" because they are often mined in conditions of armed conflict and human rights abuses, including forced labor, child labor, and other unethical practices, in ten African countries including the DRC and neighboring countries.

ii. Responsible Minerals

"Responsible minerals" refers to minerals that are mined in a way that minimizes the potential for human rights violations and environmental destruction. EcoPro Group manages and identifies cobalt, nickel, lithium, etc as responsible minerals based on their reporting standards.

C. EcoPro Group's Responsible Minerals

The main business of EcoPro Group is manufacturing high nickel cathode active materials for lithium-ion batteries. Cathode active materials are one of the components of a lithium-ion battery and determine the capacity and voltage of the battery. Depending on the intended use of the battery, various metals such as cobalt, nickel, and lithium are blended to create the cathode material. The combination of cobalt and nickel is called precursor, and adding lithium to it completes the cathode active material.

i. Cobalt

Cobalt is primarily produced as a byproduct of copper and nickel refining processes. Over 70% of cobalt ore is mined in DRC, and China has invested heavily in the country to secure about one-third of DRC's cobalt mines. As China produces more than 60% of metal products, it is a highly concentrated region for cobalt production and has a high potential to be a conflict mineral.

ii. Nickel

Nickel is also used in catalysts, photovoltaics, and in structures that require corrosion resistance. It is an essential mineral in the production of eco-friendly cars and in the utilization of renewable energy. Nickel can be found globally in countries such as Indonesia, Australia, Brazil, Russia, etc. and the amount of usage is continuously increasing.

iii. Lithium

Lithium is the lightest metal and has traditionally been used in the production of glass and ceramics. However, since the 21st century, it has been increasingly used as a vital component in portable equipment such as wireless electrical devices and electric vehicles. The main sources of lithium supply are brine and rock deposits. Brine deposits are mostly found in Chile, Argentina, and Bolivia, and rock deposits are mostly found in Australia and Canada. Other potential sources of lithium include clay and seawater, and research is actively being conducted to commercialize them.

D. Reporting Period

This report was written based on the details of activities from January to December 2022.

2. Responsible Minerals Supply Chain Management Process

EcoPro Group's subsidiaries perform supply chain management tasks from all suppliers providing products containing the above-mentioned minerals. New suppliers are required to conduct this task when starting business, existing suppliers are required to conduct this task annually.

A. Supply Chain Preliminary Investigation

EcoPro Group receives KYC(Know Your Counterparty) and MRT(Mineral Reporting Template) questionnaire from all primary suppliers. After verifying the questionnaire, if it is determined that there is no risk, each supplier must submit a written statement of compliance with the supply chain policy and keep it on file. Primary suppliers are also required to request compliance with the Responsible Supply Chain Policy to their sub-suppliers.

i. KYC questionnaire

This form is a questionnaire that includes basic company information, exchange listing information, representatives, banks, and other interviews.

ii. MRT questionnaire

This document is a questionnaire produced in order to understand the mineral supply chain of each company's products, made by RMI (Responsible Minerals Initiative), a global consensus body that conducts responsible minerals certification. It is written in accordance with the responsible minerals certification process, RMAP (Responsible Minerals Assurance Process), and is divided into conflict minerals questionnaire, CMRT (Conflict Minerals Reporting Template), and responsible minerals questionnaire, EMRT (Extended Minerals Reporting Template). This questionnaire can be downloaded from the RMI website.

B. Supply Chain Mapping

EcoPro Group confirms the supply chain and origin based on the KYC and MRT questionnaire received from primary suppliers. The supply chain includes mines, smelters, refiners, and processing plants. We document this in detail for each product they are trading.

C. Risk Identification

In case of minerals produced or transported through high-risk or conflict areas, EcoPro Group indicates a risk signal (Red Flag) on the supply chain map. All suppliers and stakeholders passing through the red flag will also indicate the red flag. For supply chains with a red flag, EcoPro Group conducts activities to confirm the risks specifically by constituting a verification team and conducting written surveys or on-site inspections. When direct on-site inspection or verification is difficult, we commission third-party organizations to conduct due diligence. The risks confirmed are classified into high-risk and low-risk groups according to the level.

D. Risk Mitigation

EcoPro group reviews plans for reducing risks based on the level and situation of identified risks, and coordinate with the relevant companies in accordance with internal measures decided by EcoPro to improve them. EcoPro Group continuously monitors the progress of these improvements.

E. External Disclosure

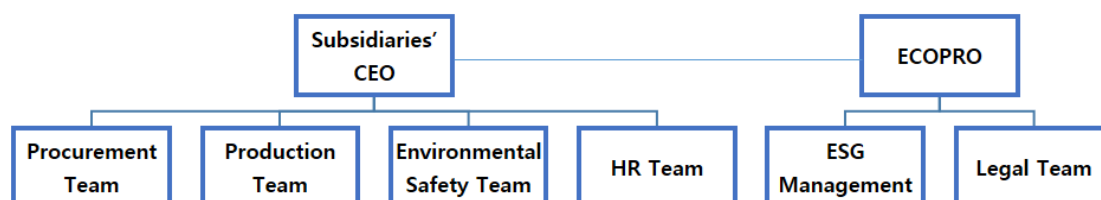
EcoPro Group makes report available to shareholders and customers on a yearly basis through our website.

3. Results

A. Responsible Minerals Task Force

In Q1 of 2022, EcoPro emphasized the importance of responsible mineral supply chain systems to our subsidiaries, and starting in April, EcoPro Group established a task force to conduct regular meetings on a weekly basis. EcoPro Group selected mandatory attendance departments based on each issue, and checked the progress of each supply chain. The participating subsidiaries were EcoPro BM, EcoPro EM, and EcoPro Materials, and the roles of the task force are as follows.

[Figure 1] Task Force



i. Subsidiaries – Procurement Team

As the entity responsible for managing the supply chain, responsibilities include not only purchasing operations, but also creating supply chain maps, collecting and evaluating risk information, implementing risk mitigation strategies, and responding to due diligence.

ii. Subsidiaries – Production Team

Production Team tracked and managed the minerals that are handled and entered or exited in relation to responsible minerals, from the time of receiving to the time of shipping, by managing them by source, supplier, production date, etc. Therefore, Production Team is able to enable lot-tracking for all semi-finished and finished products.

iii. Subsidiaries – Environmental Safety Team

Environmental Safety Team manages the impact on the environment within the supply chain related to responsible minerals handling, as well as the safety of workers during handling and use of responsible minerals.

iv. Subsidiaries – HR Team

In relation to responsible mineral handling, HR Team manages labor environment, human rights protection, and welfare to ensure that there are no negative effects.

v. EcoPro – ESG Management Dept.

As a control tower for the establishment of responsible minerals supply chain system of EcoPro Group, ESG Management Department conducts tasks such as organizing meetings, establishing unified responsible mineral policies, supporting subsidiaries, developing and distributing training materials for subsidiaries practitioners, and publishing responsible minerals report.

vi. EcoPro – Legal Team

Legal Team conducts reviews on the legality of responsible minerals-related contracts used by EcoPro Group. Additionally, Legal Team informs suppliers that failure to comply with company policy may result in warnings and penalties and may lead to claim for compensation.

B. Responsible Minerals Training

In 2022, training on responsible minerals was conducted for relevant departments in each subsidiaries, and the number of trainees is shown in **[Table 2]**. The training will continue to be supplemented with updated materials, and the number of trainees will be gradually expanded to include all subsidiaries.

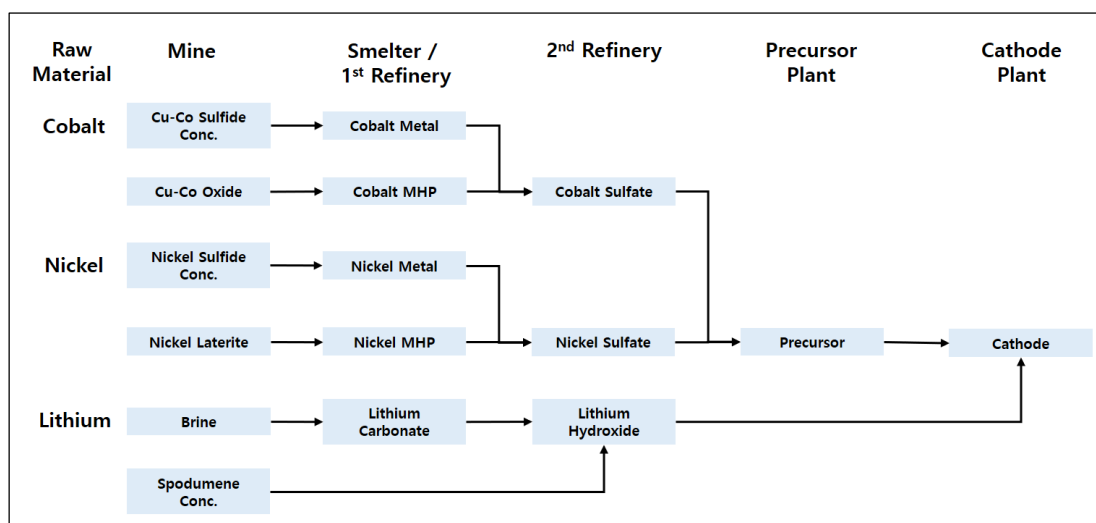
[Table 2] EcoPro Group's Responsible Minerals Training Results

EcoPro Group	EcoPro	BM	EM	Materials	Total
Trainees	10	14	3	8	35

C. Supply Chain Map

The supply chain managed by EcoPro Group starts from mines and goes through smelters, refineries, precursor plants, and cathode plants, as shown in the supply chain diagram [Figure 2]. The number of supply chain sites in EcoPro Group according to this diagram is 49, and the details can be found in [Table 3]

[Figure 2] EcoPro Group's Supply Chain Map



[Table 3] EcoPro Group's Supply Chain Sites

Raw Material	Mine	Smelter / 1 st Refinery	2 nd Refinery	Total
Cobalt	7	7	5	19
Nickel	6	6	3	15
Lithium	5	4	6	15
Total	18	17	14	49

D. Risk Identification Results

EcoPro Group has conducted risk assessments on all supply chains that EcoPro Group deals with. Out of the 49 sites, 17 sites were determined to be risky, including 3 high-risk sites and 14 low-risk sites. EcoPro Group classified supply chains as high-risk if they were not registered with RMI or if they were directly associated with human rights violations, such as the Russia-Ukraine conflict. Supply chains that were not RMI certified or that only partially disclosed their supply chain were classified as low-risk. The detailed risk assessment for each supply chain can be found in [Table 4].

[Table 4] EcoPro Group's Supply Chain Sites' Risk Assessment

Raw Material	Mine		Smelter / 1 st Refinery		2 nd Refinery		Total	
	High	Low	High	Low	High	Low	High	Low
Cobalt	1	6	1	6	0	1	2	13
Nickel	1	0	0	0	0	1	1	1
Lithium	0	0	0	0	0	0	0	0
Total	2	6	1	6	0	2	3	14

E. Risk Mitigation Strategy

For high-risk supply chains, EcoPro Group determined that the reliability of information was low and immediate improvement was difficult to achieve based on external conditions. Therefore, EcoPro Group has stopped purchasing new contracts and products containing those materials. For low-risk supply chains, EcoPro Group has maintained the trade while informing them of the reasons for being classified as low-risk, received feedback on improvement plans, and requested RMI certification if it was not obtained. EcoPro Group will continue to monitor and manage low-risk supply chains until the risks are addressed

F. Overall & Expected Results

EcoPro Group, as a global leader in the field of secondary batteries, recognizes that human rights violations and environmental destruction are serious social issues. In order to minimize the impact of its operations on society, from mining to use, EcoPro Group has established "Responsible Minerals Supply Chain System" in 2022, and the system will be continuously improved. Based on this system, EcoPro Group will meet the demands of its customers and consumers, strengthen internal management to minimize future risks, and increase transparency by publishing related materials on its website.

EcoPro Group will establish policies based on global guidelines such as the OECD Due Diligence Guidelines and encourage all its suppliers to comply with the policies. EcoPro Group is committed to creating a healthy industrial ecosystem. Thank you.

[Ref.] 2nd Refinery List

No.	Raw Material	2 nd Refinery	Location
1	Cobalt	Cosmo Chemical, Ltd.	Korea
2	Cobalt	SungEel HiTech Co.,LTD	Korea
3	Cobalt	Guangdong Jiana Energy Technology Co., Ltd.	China
4	Cobalt	Ecopro Materials	Korea
5	Cobalt	GEM (Jingmen) High Purity Chemical Materials Co. LTD.	China
6	Nickel	Ecopro Materials	Korea
7	Nickel	Terrafame	Finland
8	Nickel	GEM (Jingmen) High Purity Chemical Materials Co. LTD.	China
9	Lithium	SQM	Chile
10	Lithium	Ecopro Innovation	Korea
11	Lithium	Ganfeng lithium	China
12	Lithium	ALBEMARLE Kings Mountain	USA
13	Lithium	ALBEMARLE Jiangxi	China
14	Lithium	Tianqi Kwinana	Australia