



# Ningbo Zhenyu Technology Co., Ltd. Responsible Supply Chain Due Diligence Management Compliance Report for the First Half of 2023 (January 1st, 2023- June 30th, 2023)

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| <b>Company Name:</b>                                 | <b>Ningbo Zhenyu Technology Co., Ltd</b>                          |
| <b>Address:</b>                                      | <b>Ningbo Zhenyu Technology Co., Ltd. (Headquarters Building)</b> |
| <b>Reporting deadline:</b>                           | <b>January 2023 to January 2024</b>                               |
| <b>Report date</b>                                   | <b>June 30, 2023</b>  |
| <b>Senior management responsible for this report</b> | <b>Zhang Yunjie</b>   |



## **Part I**

### **Purpose**

In order to comply with the requirements of the OECD Guidelines for Responsible Supply Chain Due Diligence of Ores from Conflict Affected and High Risk Areas (hereinafter referred to as the OECD Guidelines), to avoid any systematic or widespread human rights violations, conflicts, money laundering, and combating terrorist financing, our company has established a strong management system, The supply chain risk identification and assessment were carried out using the supply chain due diligence method to ensure that the management of the Company's gold, tantalum, tungsten and tin, nickel, cobalt, lithium, manganese, natural graphite, copper, aluminum, mica and other minerals fully comply with the requirements of the OECD's Due Diligence Guide for Responsible Supply Chain of Minerals from Conflict Affected and High Risk Areas. This report summarizes the compliance of Ningbo Zhenyu Technology Co., Ltd. with the requirements of the OECD's Due Diligence Guidelines for Responsible Supply Chain of Minerals from Conflict Affected and High Risk Regions in the first half of 2023 (January 1, 2023 June 30, 2023).

## **Part II**

### **Company Profile**

Ningbo Zhenyu Technology Co., Ltd. is a key backbone enterprise in China's electric motor core mold industry, with a first-class research and development team, processing equipment, and independent intellectual property technology. The



enterprise has three business units with an equipment investment of 660 million yuan. It has formed a comprehensive development model based on molds and with stamping and lithium-ion EVBC as two wings. It can achieve an annual output value of 250 million yuan for molds, 300 million yuan for precision stamping, and 200 million yuan for lithium-ion shell assemblies. The company has 2 holding subsidiaries, as well as 2 domestic and 3 overseas offices, and its products are sold to more than 10 countries worldwide. Since its establishment in 1994, the company has won the highest award in the Chinese mold industry - the Precision Mold Award (first prize) multiple times, and has now become a leading global supplier of comprehensive solutions for precision molds. The company is committed to the research and development, design, production, and sales of precision progressive stamping molds. After years of dedicated research, Zhenyu Technology has gradually become a leading enterprise in the mold segmentation industry. At the same time, with over 20 years of rich experience in the development of precision progressive stamping molds and a complete manufacturing system, the company focuses on the design and development of precision progressive stamping molds, providing customized precision progressive stamping molds for household appliance manufacturers, automotive, industrial control manufacturers, and other manufacturers worldwide. The products are highly recognized by customers and have formed long-term cooperative relationships.

### **Part III**

#### **Summary of compliance activities**



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## **Step 1: Establish a strong company management system**

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### **Compliance statement:**

**Our company has complied with step 1: establishing a strong company management system and conducting supplier due diligence.**

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### **Company Policy:**

#### Compliance Statement:

The company issued the "Sustainable Procurement Management Manual" on March 22, 2022, and the "Management Measures for Responsible Mineral Due Diligence" on June 20, 2023. Our responsible mineral supply chain policy strictly prohibits mineral related suppliers from:

- 1) any form of torture, cruel, inhuman, and degrading treatment;
- 2) Any form of forced or compulsory labor. Forced or compulsory labor refers to any individual's labor or services that are extracted as a threat of punishment and are not voluntarily provided by that person;
- 3) The worst forms of child labor;
- 4) Other serious violations and abuses of human rights, such as widespread sexual violence;
- 5) War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide;
- 6) Providing direct or indirect support to non-state armed groups;
- 7) Provide direct or indirect support to public or private security forces engaged in illegal taxation or extortion;



8) Fraudulent misrepresentation of bribery and mineral origin;

9) Participate in or support/finance money laundering, conflict, and terrorist activities;

10) The taxes, fees, and licensing fees paid to the government were not disclosed in accordance with the principles of the Extractive Industries Transparency Action Plan (EITI).

The Management Measures for Responsible Mineral Due Diligence stipulate the internal organizational structure and responsibilities, provisions for due diligence in the mineral supply chain, risk identification methods and evaluation standards for the mineral supply chain, transaction monitoring, traceability management, document preservation, training, information disclosure, and complaint mechanisms. In the first half of 2023, our company strictly followed the system requirements to complete due diligence on ores from conflict-affected and high-risk areas, and conducted risk identification and assessment, effectively controlling the risks in the mineral supply chain. At the same time, the company has also posted this policy on its official website at <http://www.zhenyumould.com/news/index.html>

#### **Compliance Statement of Internal Management Structure:**

The company has established an internal management system in accordance with the "Management Measures for Responsible Mineral Due Diligence", clarifying management positions and corresponding responsibilities. The company has established a responsible mineral due diligence management team, led by the Supply Chain Sustainable Development Committee, and promoted by the Responsible



Mineral Due Diligence Office. The five central departments of the group cooperate to jointly complete the responsible mineral due diligence work, To control the risks in our mineral supply chain. The Supply Chain Sustainable Development Committee of the company is led by Jiang Ning (President), the Responsible Mineral Due Diligence Office is held by Zhang Yunjie (Director), the Environmental Protection and Security Center is staffed by Fan Ying and Liu Tingting (Environmental Protection and Security Engineers), and the Procurement/Quality Management Center is staffed by Tang Shunhua (Senior Procurement and Development Engineer), Xu Chuchu (Senior Procurement Engineer), and Zhou Hongxiang (Procurement Manager), Xu longchang (Financial Manager) is responsible for the financial management center, Liu Ning (Customer Development Manager) is responsible for the customer development center, and Chen Jingjuan (HR Manager) is responsible for the human resources center.

**Responsibilities of relevant management departments:**

Supply Chain Sustainable Development Committee Responsibilities:

1. Responsible for approving whether to cooperate with high-risk suppliers.
2. Approval of policies and guidelines.

Responsible Mineral Management Office :

1. Daily management work for due diligence.
2. Verify or resolve any anomalies in the due diligence process and mineral related transactions.
3. Investigation and follow-up of complaints, complaints, and feedback



events.

Environmental Protection and Security Center:

1. Responsible for the preparation and revision of the Management Measures for Responsible Mineral Due Diligence.

2. Cooperate with procurement to conduct supplier due diligence.

3. Report any abnormal situations in the due diligence process and mineral related transactions to the responsible mineral management office in a timely manner. After verification or resolution, the responsible mineral management office should report the relevant situations to the Supply Chain Sustainable Development Committee.

4. Collection of supply chain feedback information.

5. Regularly disclose responsible mineral OECD compliance reports.

6. Collaborate with the Procurement/Quality Management Center to provide OECD training to suppliers.

Procurement/Quality Management Center:

1. Supplier Risk Identification.

2. Conduct supplier due diligence.

3. Develop an annual supplier audit plan and organize an annual supplier audit.

4. Collection of supply chain feedback information.

5. Regularly conduct responsible mineral OECD training for suppliers.

6. Keep relevant due diligence records and documents for at least 5 years.



7. Conduct traceability management for high-risk mineral related transactions.

Customer Development Center :

1. Collect customer requirements.
2. Collect representations, complaints, and feedback information, and report it to the responsible mineral due diligence management team.
3. Communicate company policies to customers.

Financial Management Center :

1. Supervise the compliance of each transaction.
2. Completely preserve all transaction and financial vouchers of mineral suppliers, with a retention period of at least 5 financial years.

Human Resources Center:

1. Responsible for cooperating with other departments to provide regular responsible mineral OECD training for relevant suppliers, and keeping relevant record files for at least five years.
2. Responsible for writing and modifying relevant documents related to social responsibility.

In the first half of 2023, our company strictly implemented the "Management Measures for Responsible Mineral Due Diligence" and conducted risk due diligence on all suppliers. Monitor all transactions to avoid establishing relationships with high-risk suppliers. At the same time, the responsible mineral due diligence team reviews all due diligence findings and results, and all mineral related procurement contracts





have been approved by the Supply Chain Sustainability Committee.

### **Identification of traceability systems and other supply chain participants**

Compliance Statement:

According to the requirements of the management system, the company has established a supply chain traceability system, which achieves traceability through production work order numbers, material batch numbers, and customer order numbers. Based on all retained records, it is possible to trace from finished products to raw materials, from raw materials to finished products, and to trace the purchase contracts of each batch of products from each supplier. According to the contract content, it can trace information such as precious metal type, purchase weight, analysis reports, and relevant due diligence documents.

### **Cooperate with suppliers and assist in establishing due diligence capabilities in the supply chain.**

Compliance statement:

When signing contracts with suppliers, business personnel from the raw materials department, domestic and international business departments sign the "Responsible Mineral Commitment Letter" with all mineral supply contract counterparties in accordance with management system requirements, and conduct on-site investigations using the "Mineral Due Diligence Form - Field Investigation Form" to ensure that they understand the company's requirements for responsible mineral due diligence management Supply chain policies and required commitments. In this commitment letter, the other party to the relevant mineral supply contract



shall make a written commitment and acknowledge that there are no serious human rights violations related to mineral mining, transportation, or trade, no direct or indirect support for non-state armed organizations, no direct or indirect support for public or private security forces, no bribery or false reporting of mineral sources, and no money laundering, Transparent payment of taxes and royalties related to mining, trade, and exports in conflict affected and high-risk areas to the government. All mineral related suppliers signed in 2023 have signed relevant commitment letters.

### **Transaction monitoring**

compliance statement:

All payments and receipts for mineral related materials by the company are processed through the company's cooperative bank account, and there are no cash transactions. Completely preserve all transaction and financial vouchers of mineral suppliers for at least 5 financial years. These receipts and payments are subject to the supervision of the national finance and taxation department, and Financial audit is carried out every year. According to the requirements of the management system, conduct transaction supervision on the supply chain risks of mineral material related suppliers. The refinery checks the shipping documents, weight documents, inspection reports, invoices, transfer records, and other documents received for each batch of products. The due diligence team is responsible for transaction monitoring, checking the background of transactions that do not match or any suspected discrepancies, and confirming the investigation results in writing and reporting to the Supply Chain Sustainable Development Committee.



## **Communication and Grievance Mechanism**

compliance statement:

The company has established an appeal mechanism, and the email and phone contact information of the appeal channel are published in the "Management Measures for Responsible Mineral Due Diligence". The official website also has contact information, and the website is

<http://www.zhenyumould.com/contact/list/99.html>

Internal and external stakeholders can anonymously report violations related to mineral material transactions. There were no reported incidents in the first half of 2023. In addition, the company has also established a system for protecting whistleblowers to prevent retaliation against whistleblowers and effectively protect their rights and interests.

## **Training compliance statement**

compliance statement:

The company regularly organizes training for all relevant departments involved in mineral material trading, and conducted two training sessions in the first half of 2023. On May 16<sup>17</sup>, 2023, our company invited a professional third party to conduct OECD training for relevant personnel in our responsible mineral due diligence department, and retained training records (including training materials, attendance forms, videos, photos, etc.). Conduct responsible supply chain due diligence training on minerals from conflict affected and high-risk areas for all suppliers on June 10, 2023;



## **Record retention compliance statement**

compliance statement:

According to the company's "Responsible Mineral Due Diligence Management Measures", all supplier related documents, including due diligence documents, risk assessment forms, compliance documents, contract texts, inspection records, and inbound and outbound records, shall be kept for at least five years.

## **Step 2: Identify and evaluate supply chain risks**

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**Compliance statement:**

**Our company has fully complied with step 2: identifying and evaluating supply chain risks**

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## **Supply Chain Risk Identification Compliance Statement:**

compliance statement:

The "Responsible Mineral Due Diligence Management Measures" stipulate supplier risk identification methods, covering all risks of mineral materials from the origin to our company. The following risks are identified through the "Supplier Basic Information Survey Form" and "Risk Identification Form", such as supplier basic information, beneficiary, origin information, responsible mineral supply chain policy, transportation process, etc Anti money laundering, terrorism financing, bribery and fraud, human rights violations, transaction monitoring, support for non-governmental armed organizations, etc.



The identification method includes establishing supplier files based on the "Supplier Basic Information Survey Form" and the "Supply Chain Map Information Collection Form", including: enterprise name, legal representative, address, contact information, operation method, production method, transaction contract, etc; Regular verification of existing suppliers is required. If there are new or changed suppliers, timely inspection of their archive data is required to keep the archive database up-to-date; Identify the beneficial owners of each supplier and use reliable independent source documents, data, or information to verify their identity; Ensure that the revenue owner of each supplier in the supply chain is not on any government's money laundering, fraud, or terrorism wanted list; Regularly obtain detailed information on the supplier's commercial and financial aspects, as well as the purpose of engaging in mineral transactions and commercial operations.

### **Supply chain risk assessment compliance statement**

compliance statement:

Before establishing a partnership with suppliers, the procurement department needs to fill out the "Supplier Basic Information Questionnaire" and conduct a risk assessment for all mineral materials in accordance with the "Responsible Mineral Due Diligence Management Measures". Minerals: Suppliers need to provide information on the origin of mineral materials, mining licenses, import and export licenses, proof of mining information, due



diligence documents, and collect business licenses, beneficiaries, credit information, financial information, whether they are on the government's money laundering, known fraudsters or terrorists list. Some suppliers will have responsible mineral due diligence team members come to the site to investigate the authenticity of the information, To ensure accurate and reliable evaluation.

The evaluation criteria for high-risk supply chains are as follows:

1. Minerals originate, transit, or pass through high-risk areas affected by conflicts or human rights violations.
2. The mineral claims to have originated from a country with known limited reserves, limited resources, or expected limited gold production.
3. Minerals originate from high-risk areas known to have conflict impacts and human rights violations, or there is reason to suspect transit through these areas.
4. Companies or other known upstream companies in the mineral supply chain are located in a country with high risks of money laundering, crime, and corruption.
5. The beneficial owners of companies or other known upstream companies in the mineral supply chain are politically sensitive individuals.
6. Companies or other known upstream companies in the mineral supply chain actively participate in high-risk commercial activities, such as weapons, gambling, gambling, antiques and artworks, diamonds, and



religious and religious leaders.

7. High risk countries and regions from and through, including countries and regions with conflict and conflict declared by CFSP, countries or regions sanctioned by the United Nations, and countries and regions with high risk of money laundering declared by FATF.

Evaluation method: Based on the content of the due diligence questionnaire, combined with the corresponding information received from the supplier, the evaluation criteria for each project are used to score and ultimately determine the risk level.

A total of 22 mineral material suppliers were evaluated in the first half of 2023. Based on the evaluation results, all suppliers are identified as low risk suppliers.

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### **Step 3: Implement management strategies for identified risks**

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#### **Compliance Statement:**

**We fully comply with Step 3: Design and implement a management strategy to address identified risks**

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### **Implement a risk management strategy compliance statement for the identified risks**

#### **Compliance Statement:**

1) Suppliers identified as high-risk and confirmed as high-risk through on-site audit: Zhenyu Technology will stop trading and exit the risk. And



report the evaluation report and high-risk items to the top management, list them on the company's blacklist, and prohibit transactions with the company for three years.

2) For suppliers identified as medium risk and confirmed as medium risk through on-site audit, Zhenyu Technology will suspend Trading halt to mitigate the risk and require suppliers to rectify the risk within a period of three months. If the risk is lifted, resume trading; If the rectification fails to meet the requirements or the risk cannot be relieved, cooperation with the supplier will be stopped.

3) Suppliers identified as low risk or confirmed as low risk through on-site audit: We continue to cooperate with this supplier, gradually improving their investigation materials and assisting them in establishing their due diligence system, and helping them establish and improve their deficiencies in risk control.

### **Performance monitoring, reevaluation, and regular reporting of compliance statements**

Compliance Statement:

If the results of due diligence are low risk and the company has adopted an improvement strategy with clear performance goals within the specified time frame, we will continue to cooperate with it. If the supply chain due diligence result is medium or high risk, it indicates that there may be money laundering, terrorist financing, conflict fueling, human rights violations, or





the likelihood of such a situation is high. We will immediately suspend our cooperation until the information or data provided indicates a low level of risk.

According to the due diligence results in the first half of 2023, there are no suppliers that require risk mitigation management strategies. Regular reevaluation and continuous monitoring: 1. Every year, the due diligence team members of the procurement/quality management center need to organize personnel to collect all changes in supplier information, continuously monitor transaction results, and conduct annual supply chain due diligence reevaluation to decide whether to continue cooperation. 2. Each batch of mineral related materials purchased is monitored by members of the due diligence team during transportation, warehousing, production, and payment processes.

Regular reports: Quarterly due diligence team members submit reports to the Supply Chain Sustainable Development Committee based on the actual situation of responsible mineral due diligence management. Summarize the operation of the responsible mineral due diligence management system for this quarter, and propose deficiencies and improvement measures.

In the first half of 2023, our company adopted a quantitative approach to score and manage suppliers, and conducted annual supplementary risk assessments on all suppliers except for new ones. The Supply Chain Sustainable Development Committee has reviewed the evaluation results and



submitted a report to senior management.

#### Step 4: Arrange an independent third-party audit

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Compliance Statement:

Our company plans to arrange an independent third-party audit of the due diligence results for 2023 in the first quarter of 2024.

Our compliance team conducted compliance audits on 23 suppliers in the first half of 2023, and the results were all low risk suppliers.

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Compliance statement:

The last audit was conducted in the first half of 2023, and our company has prepared the compliance report as of June 30, 2023 on time for this year, which has been uploaded to our official website <http://www.zhenyumould.com/news/index.html>

#### Step 5: Supply Chain Due Diligence Report

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**Compliance Statement: We fully comply with Step 5: Supply Chain Due Diligence Report. Subsequently, we have taken corrective measures and closed any non conformities.**

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Compliance Statement: Our "Responsible Mineral Due Diligence Management Measures" list information and specific details on how to



implement supply chain due diligence policies, procedures, processes, and controls to comply with the requirements of the OECD Guidelines and the China Guidelines. This policy can be found on the company's website <http://www.zhenyumould.com/news/index.html> Found on. Our company has conducted a supplier due diligence investigation and the report has been uploaded to the official website.

## **Part IV**

### **Conclusion**

#### **Management Conclusion**

Our company has completed the due diligence report for the first half of the year as of June 30, 2023, and implemented effective management systems, procedures, processes, and practices to comply with the requirements of the OECD Guidelines and the China Guidelines. Our company is committed to continuous improvement and will regularly monitor all corrective measures identified internally. Continuously meeting the requirements of the OECD Guidelines and the China Guidelines.

#### **other**

If the user of this report wishes to provide us with any feedback regarding this report, please feel free to call (T el):+86 (0) 574 65172919+ 86 (0) 574 83519206; Alternatively, use Fax:+86 (0) 574 65172929 ext.0 and email: [irm@zhenyumould.com](mailto:irm@zhenyumould.com) Contact us.