

CNGR 中伟

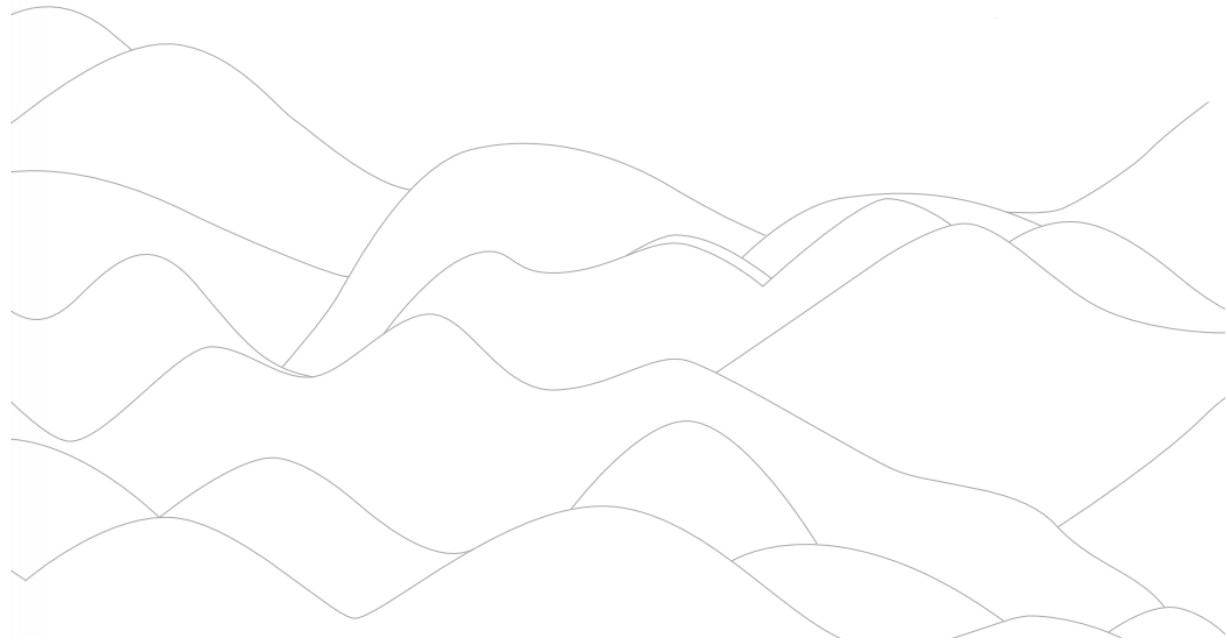
致力于新能源发展 构建人类美好生活
Devote to the development of new energy
Constructing a better life for human beings

CNGR Green Financing Framework



Table of Contents

INTRODUCTION	3
GREEN STRATEGY	3
WELL-ESTABLISHED MECHANISM FOR RESPONSIBLE SUPPLY CHAIN	3
CNGR’S GREEN FINANCING FRAMEWORK (“FRAMEWORK”)	4
(I) USE OF PROCEEDS:	4
(II) PROCESS FOR PROJECT EVALUATION AND SELECTION:	5
(III) MANAGEMENT OF PROCEEDS:	6
(IV) REPORTING:	6
(V) EXTERNAL REVIEW:	7



1. Introduction

CNGR Advanced Material Co., Ltd. ("CNGR" or the company) was established in September 2014. It is a holding subsidiary and listed entity of Hunan CNGR Holding Group Co. The company has been recognized as a national enterprise technology center and a national high-tech enterprise, and has been awarded the titles of "National Intelligent Manufacturing" and "Green Manufacturing Factory" and other demonstration projects. The company is a professional integrated service provider of new energy materials for lithium batteries, which belongs to the national strategic emerging industries in the field of new materials and new energy.

CNGR has reached strategic cooperation with dozens of famous enterprises Domestically and internationally. The core products developed by the company independently, such as high-voltage cobalt tetra-oxide, high nickel NCM and NCA, have successfully entered the high-end supply chain of the world's top 500 enterprises in China, Europe, America, Japan and Korea, and are widely used in 3C digital field, power field and energy storage field. At present, CNGR has established and laid out thousand-acre industrial bases in Tongren, Guizhou, Changsha, Hunan and Qinzhou, Guangxi, covering the whole country and radiating overseas markets.

The company always takes R&D innovation as the core, continues to increase R&D investment, along the R&D direction of high nickel and low cobaltization ternary precursors, high voltage tri-cobalt tetroxide, diversified products and comprehensive recycling, to create diversified, customized, rapid development and mass production technical service capability, to integrate into the global industry chain and boosting industry development.

2. Green Strategy

Adhering to the corporate mission of "devoting to the development of new energy and building a better life for mankind", the precursors developed and produced by CNGR Co., Ltd., as the key core materials of lithium batteries, are widely used in the fields of new energy vehicles, 3C digital and energy storage, and continuously deliver green and clean energy to the society. The company took the initiative to undertake the social responsibility of recycling new energy power batteries. In January this year, it was selected into the list of enterprises in the Industry Standard Conditions for Comprehensive Utilization of Waste Power Batteries for New Energy Vehicles by the Ministry of Industry and Information Technology, and carried out comprehensive energy recycling, helping to achieve the goals of "carbon peaking" and "carbon neutrality", and making great contributions to improving the environment and reducing energy consumption.

In the future, CNGR will always be committed to the development of new energy, relying on technology and quality, continuously delivering green energy to society, shouldering the social responsibility of energy recycling, and aiming to become the world's most valuable comprehensive service provider of new energy materials.

3. Well-established mechanism for Responsible Supply Chain

At CNGR, we have always set high standards for the way we conduct business – in areas of corporate social responsibility including compliance with all applicable laws and regulations. In turn, we expect the same commitment from our suppliers. Our goal is to work with our suppliers

to ensure full compliance with these items set in our Suppliers' Code of Conduct, as they in turn apply those to their own suppliers who provide goods and services to them. For CNGR, we will consider these items in our selection of suppliers and will actively monitor their compliance. Any violation of the Suppliers' Code of Conduct may damage the business relationships between suppliers and CNGR, and even lead to the termination of business relationship.

Our Suppliers' Code of Conduct has referenced to internationally recognized standards: Ten Criteria for the United Nations Global Compact, Convention on the Rights of Children, Minimum Working Age Convention, International Labor Standards, UN Convention against Corruption, Guidelines for the Safety and Health of the International Labor Organization and etc. It summarizes the expectation and requirement of CNGR on its suppliers' behaviors and responsible behaviors including labor and human rights, health and safety, environment protection and ethics. Our Suppliers' Code of Conduct is publicly available at <http://cngrgf.com.cn/Upload/Template/web/Files/202107/751c5ab8-02c9-44fa-8c6f-d3731c246d19.pdf>.


4. CNGR's Green Financing Framework (“Framework”)






The purpose of the Framework is to ensure the CNGR (and its subsidiaries)'s potential Green Bonds and Green Loans are in alignment with the Green Bond Principles issued by the International Capital Market Association and the Green Loan Principles jointly published by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association. This Framework contains four key pillars:

- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting

(i) Use of Proceeds :

An amount equal to the net proceeds from any Green Bonds and / or Green Loans (collectively referred to as “**Green Financing Instruments**”) issued by CNGR (or any of its subsidiaries) will be allocated to finance and / or refinance, in whole or in part, new or existing eligible assets as defined below (“Eligible Assets”)

Eligible Green Categories	Eligibility Criteria	United Nations Sustainable Development Goals (SDGs)
Clean Transportation	<ul style="list-style-type: none"> • Research & development and acquisition, construction, maintenance and upgrade of facilities, and equipment dedicated for the manufacture of raw materials dedicated to the development of electric vehicles and 	

	energy storage, including ternary precursor and nickel	
Circular Economy	<ul style="list-style-type: none"> Research & development and acquisition, construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated for recycling of end-of-life battery 	
Renewable Energy	<ul style="list-style-type: none"> Acquisition, installation, maintenance and upgrade of renewable energy generation facilities and equipment, including solar and wind 	
Energy Efficiency	<ul style="list-style-type: none"> Acquisition, installation, maintenance and upgrade of the energy efficient equipment in the building, such as energy efficient air conditioning system, heating ventilation, lighting systems and windows. Such project shall achieve at least 20% improvement in the energy efficiency 	
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated for collection, treatment, recycling or reuse of wastewater 	
Pollution Prevention and Control	<ul style="list-style-type: none"> Acquisition, construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated for waste management activities such as waste prevention, reduction and recycling 	

CNGR commits to not knowingly allocating the net proceeds from Green Financing Instruments to any fossil fuel dedicated projects. Where relevant, the Eligible Assets shall comply with CNGR’s Suppliers’ Code of Conduct which is detailed in section 3 of the Framework and the relevant local environmental and social regulations.

(ii) Process for Project Evaluation and Selection :

The Process for Project Evaluation and Selection ensures that the net proceeds of the Green Financing Instruments are allocated to projects that meet the eligibility criteria as defined in the Use of Proceeds section of the Framework.

To ensure that allocations are made to Eligible Assets as specified above, CNGR has established a Green Finance Working Group (“GFWG”) to oversee the selection of Eligible Assets and their compliance with the eligibility criteria described in the Framework. The GFWG will meet on an annual basis and when required.

The GFWG is comprised by representatives from the following departments:

- Treasury team
- Sustainability team
- Relevant business units involved in the selection of Eligible Assets where necessary

The GFWG

- Reviewing and validating the existing pool of Eligible Assets
- Replacing Eligible Assets that no longer meet the eligibility criteria as defined in the Use of Proceeds section of the Framework (e.g. divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria, etc.)
- Reviewing and validating the new investments or projects to be included in the pool of Eligible Assets
- Verifying and validating annual reporting for Green Financing Instruments

(iii) Management of Proceeds :

An amount equivalent to the total net proceeds from the Green Financing instruments shall be allocated for the financing and / or refinancing of Eligible Assets. CNGR will track the allocation of the net proceeds to Eligible Assets by establishing and maintaining a dedicated ledger (the “Ledger”). The Ledger will record, track and manage the allocation of the proceeds from each Green Financing Instrument issuances. The net proceeds of each Green Financing Instruments will be earmarked against the Eligible Assets pool identified in the Ledger.

The Ledger will contain the following information:

- Green Financing Instrument issuances: type of the instrument, issuance date, maturity date, currency, amount, etc.
- List of Eligible Assets: Eligible Green Categories, project amount, project phrase (construction / operation), project location, project description
- Allocation of proceeds by Eligible Green Categories
- Amount of unallocated Proceeds

Any balance of proceeds from Green Financing Instrument not earmarked to Eligible Assets shall be held in accordance with CNGR’s normal treasury or liquidity management policy. For example, the unallocated proceeds can be invested in short-term market instrument or Green Bonds. On a best effort basis, CNGR will strive to maintain an aggregate amount of Eligible Assets that is at least equal to the aggregate net proceeds of all outstanding Green Financing Instrument.

In case of divestment or cancellation of an allocated asset, or if an allocated asset no longer meets the eligibility criteria, CNGR shall reallocate the proceeds to other Eligible Assets.

(iv) Reporting :

1. Green Bonds

Until full allocation of the Green Bonds proceeds, CNGR shall report the information on the allocation of proceeds on an annual basis until full allocation in the annual Social Responsibility

Report or in a standalone Green Financing Report, and thereafter in case of any material change to the allocation. The allocation reporting shall include the following information:

- (i) The amount of allocated proceeds by Eligible Green Categories
- (ii) The amount of unallocated proceeds
- (iii) Project case studies, subject to confidentiality

Where feasible, CNGR shall disclose the relevant information on the expected environmental benefits by Eligible Green Categories. Below are examples of impact indicators that may be reported:

Eligible Green Categories	Potential Impact Indicators
Clean Transportation	<ul style="list-style-type: none"> • Annual production capacity of manufacture of raw materials dedicated for the developing electric vehicles and energy storage • Number of electronic vehicles produced / supported • Annual passenger capacity supported • Annual GHG emissions avoided (tCO2e/year)
Circular Economy	<ul style="list-style-type: none"> • Annual recycling capacity on battery • Annual amount of battery recycled
Renewable Energy	<ul style="list-style-type: none"> • Capacity installed (MW) • Annual renewable energy generation (MWh/year) • Annual GHG emissions avoided (tCO2e/year)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy consumption reduced (kWh/year) • Annual % reduction in energy consumption • Annual GHG emissions avoided (tCO2e/year)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual amount of wastewater collected / treated / recycled / reused (m³/year)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Annual tons of waste managed / prevented / reduced / recycled (m3/year)

2. Green Loans

Subject to lenders' requests, CNGR shall disclose the above-mentioned information, including information on the allocation of proceeds and the environmental impacts of Eligible Assets where feasible. Subject to the authorization of the lenders, CNGR may disclose the relevant information in the annual Social Responsibility Report or in a standalone Green Financing Report.

(v) External Review :

CNGR has obtained a Second Party Opinion from DNV on this Green Financing Framework, which confirms the Framework's alignment with the Green Bond Principles, and the Green Loan Principles. This Second Party Opinion report is publicly available on CNGR's website.