

Zangge Mining Co., Ltd.
Water Source Management Policy



Water Source Management Policy of Zangge Mining Co., Ltd.

Chapter I General Provisions

Article 1 Purpose

This Policy establishes a structured and systematic framework for water management across the Group. It is designed to ensure compliance with applicable water-related laws and regulations, including but not limited to the *Water Law of the People's Republic of China*, the *Regulations on Water Conservation*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, and the *Environmental Protection Law of the People's Republic of China*, this Policy is hereby formulated.

The Policy provides a unified management basis for water consumption reduction, water recycling, and wastewater treatment, with the objective of improving water efficiency, reducing water-related operational risks, and supporting the Group's long-term sustainability strategy, taking into account the Group's operational context.

Article 2 Definitions

For the purpose of clarifying the definitions of entities, the following terms are defined as follows:

- "Group" refers to Zangge Mining Co., Ltd. and its affiliated entities.
- "Group Headquarters" specifically refers to Zangge Mining Co., Ltd.
- "Affiliated Entities" refers to entities directly or indirectly controlled by the Group Headquarters, both domestically and overseas.

Article 3 Scope of Application

This Policy applies to all water-related activities under the Group's operational control, including water withdrawal, consumption, recycling and wastewater treatment across salt lake operations, mining areas, exploration sites, and production bases. All controlled entities are required to strictly adhere to the principles set out in this Policy and to implement water consumption reduction, compliant discharge, and recycling measures throughout the entire process with the objective of preventing environmental pollution and water waste.

The Company extends its water management to suppliers, contractors, and other business

partners, promoting compliance with applicable water-related laws and regulations, standardizes management practices related to water withdrawal, treatment and recycling, and promotes water security across the value chain.

Chapter II Implementation Provisions

Article 4 Fundamental Principles

Water management shall be implemented in accordance with the following principles:

1. Regulatory Compliance

Ensure full compliance with applicable water withdrawal, treatment, and pollution control requirements, where projects are located.

2. Systematic Integration

Integrate water management into the Group's environmental and ESG management systems, covering all operational stages.

3. Risk Prevention

Identify and prevention of water-related environmental risks during the planning, design, and operational stages.

4. Coordination and Accountability

Establish clear internal responsibilities and coordination mechanisms across business units and the upstream and downstream value chain, promoting technological innovation and experience sharing.

5. Continuous Improvement

Regularly assess water performance and enhance management measures based on monitoring progress against water-related targets.

Article 5 Management Structure and Responsibilities

The Company has established a three-tier governance structure to ensure the effective formulation, implementation, and coordination of water management.

Highest Decision-Making Level: Board of Directors and Strategy & Sustainability (ESG) Committee

Responsible for reviewing and approving the Company's overall water management policies, action plans, and medium- to long-term water consumption reduction and recycling targets. They

oversee the assessment of major water-related risks and the approval of mitigation measures, monitor the effectiveness of water management, and ensure strong alignment between water performance and the Company's sustainability strategy.

Coordinating Management Level: Safety, Environmental Protection, Public Security, Fire Safety & ESG Committee

Responsible for formulating the Company's water management policies, annual objectives, performance indicators, and action plans, and submitting them to the Board for approval. The Committee oversees the implementation of Board-approved resolutions, ensures coordination across business units, addresses significant water management issues, and promotes the effective operation of the Company's water management framework.

Leading Execution Department: Safety, Environmental Protection & ESG Office

Responsible for translating the Company's strategy into feasible implementation plans, including but not limited to the establishing and improving water management systems, cascading water consumption reduction and recycling targets, identifying and mitigating water-related environmental risks, and conducting performance monitoring and assessments. Production bases are accountable for, on-the-ground execution of water consumption reduction, recycling, and pollution prevention.

Article 6 Performance and Incentives

Water management performance is incorporated into the Company's annual ESG performance assessment framework and linked to the annual evaluation of the Board, Strategy & Sustainability (ESG) Committee, senior management, and affiliated entities. The Company has established a regular mechanism for performance incentives. Non-compliance, excessive water consumption, or significant water wastage may result in corrective actions, accountability measures, or disciplinary actions in accordance with internal policies.

Chapter III Management Measures

Article 7 Management Strategy

The Company recognizes water management as a core pillar of its sustainability strategy. *Water consumption reduction, Efficient utilization, Recycling* are applied **across all business**

activities and all operation sites. The Company seeks to achieve the objective of reducing water intensity and minimizing dependency on freshwater resources.

Article 8 Management and Target Implementation

(I) Planning and Construction Stage

1. Environmental Impact Assessment and water resource Assessment

During the project planning stage, the Company shall strictly comply with national and local water assessment requirements and conduct comprehensive evaluations of surface water, groundwater, and water quality conditions. The Company shall identify potential impacts of construction projects on the regional water environment and formulate corresponding water resource development and protection measures. All newly built, expanded, and reconstructed production projects are required to undergo water assessments and water efficiency reviews, ensuring that the scale of water withdrawal are consistent with the carrying capacity of the relevant region.

2. Early-stage Design of Water Consumption Reduction and Recycling Facilities

At the project design stage, the Company plans and configures water consumption reduction, water recycling, and wastewater treatment facilities in parallel with the main project design. Priority is given to low water-intensity processes and equipment to improve overall water consumption efficiency. Water recycling plans, treated wastewater¹ collection and utilization are incorporated into the design of the project. In accordance with relevant applicable regulations, the Company selects the suitable approach (reuse or compliant disposal) for treated wastewater after assessing its water quality and aligning it with the specific water demand of operational activities. Based on the quality of treated wastewater and the demand of water, reuse or disposal methods are determined in accordance with applicable regulations. Water consumption reduction facilities are designed, constructed, and commissioned concurrently with the main project.

3. Optimization and Tiered Utilization

Based on water conditions at each project location, the Company coordinates the allocation of different water sources to improve overall water consumption efficiency. In water-stressed areas, including plateau regions and salt lake mining areas, the Company strengthens tiered water

¹ Wastewater (including treated sewage effluent and water from other industrial and/or mining operations)

consumption to maximize the comprehensive utilization of water and progressively reduce reliance on withdrawing water from external sources.

4. Risk Prevention and Emergency Response

At the planning stage, the Company establishes a water risk identification and emergency response framework. Water risk monitoring is conducted on an annual basis across all operational activities and sites. The WRI water risk assessment tool is applied to conduct water stress testing under extreme scenarios, including droughts, flooding, and water pollution. High-risk areas are systematically identified, and differentiated water consumption control strategies are developed accordingly. Through measures such as production layout optimization and prioritization of gray water as a substitute source, the Company reduces water dependency in high-risk regions and supports the safe and stable operation of construction projects and subsequent production activities.

(II) Production and Operation Stage

1. Lifecycle Water Monitoring and Dynamic Management

The Company shall implement dynamic monitoring across the entire production and operational process, with focused monitoring and data collection covering key stages including water withdrawal, water consumption, wastewater discharge, and water recycling. Water balance assessments shall be conducted on a regular basis to analyze consumption efficiency, and the results shall be incorporated into the annual performance assessment framework.

2. Tiered Water Consumption Reduction Management and Performance Assessment

The Company shall establish a tiered water consumption reduction accountability framework, cascading consumption targets to production units, operational sections, and individual positions, thereby forming a top-down chain of responsibility. Corrective actions or penalties shall be applied to units that fail to meet assigned targets or are involved in serious environmental compliance violations.

3. Alternative Water Sources and Gray Water Recycling

The Company shall comprehensively promote the development and utilization of alternative water sources, including gray water, and integrate them into unified resource allocation system to optimize the water consumption structure and progressively increase the proportion of using alternative water. Gray water treatment, recovery, and recycling mechanisms are continuously

improved, supported by infrastructure development. Compliant gray water is promoted for routine use in appropriate production, operational, and ecological protection scenarios. These measures aim to reduce reliance on surface water and groundwater.

4. Enhanced Recycling and Wastewater Reuse

The Company shall comprehensively promote water recycling and treated wastewater collection. Production sites are encouraged to design tiered water consumption and recycling systems based on process-specific characteristics, with the objective of maximizing overall water recycling rates and utilizing wastewater efficiently.

5. Pollution Prevention and Equipment Improvement

The Company complies with applicable national and local wastewater treatment standards. Wastewater is subject to tiered treatment and discharged only after meeting regulatory requirements. Qualified third-party testing institutions are engaged on a regular basis to conduct water quality monitoring and verify ongoing compliance with discharge standards.

The Company continues to introduce water-saving technologies and intelligent control systems, including automated metering, online monitoring, and reuse control equipment, to enhance the efficiency of wastewater recovery and utilization.

(III) Value Chain Water Management

1. Supply Chain Water Management

The Company shall extend its water management requirements to suppliers, contractors, and other business partners, promoting compliance with applicable water consumption and discharge standards, with the objective of supporting a water-efficient supply chain across upstream and downstream value chain partners.

(1) Encouraging suppliers to implement water consumption reduction management, with a focus on water withdrawal intensity, discharge compliance rates, and recycling ratios;

(2) Encouraging suppliers to establish water recycling systems and adopt water-saving equipment and technologies;

(3) Corrective actions, suspension of cooperation, or supplier phase-out measures shall be imposed on suppliers involved in water wastage or other non-compliant behaviors.

2. Responding to Customer Water Consumption Reduction Requirements

The Company shall actively respond to water consumption reduction requirements from downstream value chain, enhance transparency of water consumption information, support customers in conducting relevant audits, and work collaboratively with business partners to improve the effectiveness of water consumption reduction management.

3. Community Water Cooperation Initiatives

The Company shall actively participate in government-led community water consumption reduction initiatives to enhance public awareness of water consumption reduction. In communities surrounding key mining areas, the Company shall implement initiatives such as ecological water replenishment and conduct regular monitoring and assessments to ensure that production activities do not adversely affect local ecosystems or community water security.

The Company shall adhere to the principles of **WASH**—Water, Sanitation, and Hygiene²—by supporting access to safe water, adequate sanitation facilities, and hygiene promotion. These actions aim to enhance regional aquatic ecosystem functions, promote equitable access to safe and clean water, and support sustainable water consumption in alignment with SDG 6 on Clean Water and Sanitation.

(IV) Target Oversight and Implementation

The Company shall establish a closed-loop management for water consumption reduction targets, define a baseline year, and scientifically set medium- to long-term water consumption reduction and recycling targets, as well as annual phased targets, covering all operational activities and sites. Progress against water consumption reduction targets shall be incorporated into the performance assessment framework.

Chapter IV Safeguard Measures

Article 9 Communication and Training

The Group has established a regular mechanism of training for improving water consumption reduction awareness, covering internal employees, upstream and downstream partners, and local communities. Training activities are conducted in a structured and role-differentiated manner:

² WASH refers to Water, Sanitation, and Hygiene and is a core framework in the fields of global public health and sustainable development. It is also a key topic under the Social (S) pillar of ESG strategies. The WASH framework aims to improve access to safe drinking water, adequate sanitation facilities, and hygiene promotion, thereby reducing the transmission of waterborne diseases and enhancing community well-being. At the same time, it supports efficient water consumption and environmental sustainability, serving as a key mechanism for companies to fulfill social responsibilities and contribute to UN Sustainable Development Goal 6: Clean Water and Sanitation.

frontline personnel receive training on water-efficient operating procedures, efficient use of equipment, and emergency response to leaks and losses, while management personnel receive training on water-related policies, water risk management, and the application of water management tools.

Water consumption reduction knowledge, best practices, and performance outcomes are regularly communicated through internal channels. In addition, water consumption reduction principles are promoted to business partners through engagement mechanisms, including supplier conferences and supplier handbooks, extending water consumption reduction responsibilities across the value chain.

Article 10 Financial and Technical Safeguards

The Company places high importance on water management and incorporates relevant funding into its annual budget in accordance with annual work plans, ensuring effective implementation of measures and providing solid support for water consumption reduction initiatives.

Chapter V Supplementary Provisions

Article 11 Language

This Policy is issued in both Chinese and English version. Both versions have equal legal effect. In the event of any inconsistency or ambiguity, the Chinese version shall prevail.

Article 12 Interpretation

This Policy is formulated, amended, and interpreted by the Safety, Environmental Protection & ESG Office of the Group Headquarters.

Article 13 Approval Authority

This Policy shall be reviewed and approved by Executive Meeting of the Group Headquarters and shall take effect from the date of issuance.