

# 2023

## Environmental, Social and Governance Report





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# About this Report

## Overview

This is the third environmental, social and governance (hereinafter referred to as "ESG") report released by JL MAG RARE EARTH CO., LTD. (hereinafter referred to as "JL MAG", "Company" or "We"). This report provides a comprehensive overview of our ESG concepts, practices and effectiveness in the process of corporate development and operation, aiming to strengthen communication and connection with related company stakeholders.

## Reporting period

This report covers the period from January 1, 2023 to December 31, 2023, and some contents may be beyond this period to keep the information continuous.

## Reporting scope

Unless otherwise stated, the report covers JL MAG RARE-EARTH CO., LTD and its majority subsidiaries or factories.

## Reporting principles

In preparing this report, the principles of "Materiality", "Quantitative", "Balance" and "Consistency" are applied to define the content of the report and how the information is presented.

**Materiality:** During the preparation of this report, the Company has identified main stakeholders and key ESG issues of their concern, and made targeted disclosure according to their relative materiality. For more information on materiality assessment, please refer to the sections "Stakeholder Engagement" and "Materiality Assessment" below.

**Quantitative:** This report adopts quantitative information to disclose the key performance indicators ("KPI") in the environmental and social aspects. The measurement standards, methods, hypothesis and/or calculation tools, and the source of conversion coefficient used for the KPIs are explained in their respective paragraphs.

**Balance:** The purpose of this report is to present a balanced view of the Company's efforts in all aspects of ESG, including compliance operations, low-carbon development, environmental management, quality guarantee, safety responsibility, talent management and social clarity.

**Consistency:** The data disclosed in this report adopts the statistical method consistent with previous years, with individual changes explained to ensure consistency.

## Reporting standards

The report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix C2 to the *Main Board Listing Rules* on the Stock Exchange of Hong Kong Limited and *Disclosure Requirements of Social Responsibility Report of Listed Companies* on the Shenzhen Stock Exchange, with forward-looking reference to the *Self-Regulatory Guidelines No.17 for Companies Listed on Shenzhen Stock Exchange—Sustainable Development Report (Trial) (Draft for Comments)* and the United Nations Sustainable Development Goals (UN SDGs) and the Global Reporting Initiative Standards (GRI Standards).

## Data sources

The information, data and cases cited in this report are obtained from the Company's official documents, statistical and financial reports or public documents, as well as ESG practices collected and summarized by various functional departments of the Company. This report is published in both Chinese (simplified and traditional) and English. In case of any discrepancy, the Chinese version shall prevail.

## Confirmation and approval

This report has been reviewed and approved by the Board. The Company's Board guarantees that there is no false or misleading record or statement in this report and that this report is actual, accurate and complete.

## Access to this report and feedback channel

Please call or write to us if you have any suggestions or comments on the content of this report. Our contact information is as follows:

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# Chairman's Statement



Looking back to 2023, fluctuations in raw material prices and exchange rates, shaky international landscape, volatile energy markets and other factors had impacts on various industries within certain durations. The global economic development suffered from great uncertainties in an on-going complex economic environment. Although facing such severe challenges, the Company stayed committed to high-quality development with our core value of “Customer Orientation and Value Co-creation”. Besides, the Company acted on the philosophy of the harmony between human and nature, so as to contribute to the sustainable development of the industry and society while achieving the stable growth of our own business.

## **Improving ESG management and advocating responsible operation.**

Over the past year, the Company has gradually established an ESG governance system and an ESG Committee of the Board in an effort to clarify the routines for ESG-related work and continuously improve the ESG performance. By doing so, we have reinforced our cross-organizational and cross-departmental solidarity for sustainable development with notable results, receiving multiple recognitions from domestic and foreign authorities. In 2023, the Company's S&P ESG score increased to 44, ranking among the global industry leaders. The Company also won a number of awards such as the “Excellent ESG Practice Cases of Listed Companies” in 2023 issued by China Association for Public Companies, the ROYALFLUSH INFO “Top 100 ESG Leaders”, and “2023 ESG Pioneer Case” issued by the *Securities Daily*.

## **Focusing on low-carbon development and leading a green future.**

To achieve everlasting prosperity, an enterprise must bolster green development for more social value. The Company has built a “green philosophy framework” with focus on green supply chain, green production and green life, and made significant progress in low-carbon products, green packaging materials, green power, and rare earth recycling. In 2023, the Company obtained once again the ISO 14064 greenhouse gas certification and the PAS 2060 carbon neutrality certification issued by SGS. The sales volume of magnetic steel products in the fields of new energy vehicles (NEVs) and automotive parts, energy-saving variable frequency air-conditioners (VFACs), and wind power generation helped reduce carbon emissions of 34.02 million tonnes.

## **Reinforcing intelligent manufacturing and enhancing quality assurance.**

The Company always regards technological innovation as a core driver underpinning the development of intelligent manufacturing. Therefore, the Company is committed to enhancing the industry-academia-research cooperation in innovation efforts and making breakthroughs in key technologies, so as to improve the core competitiveness of the Company. The Company has accumulatively invested RMB 26.09 million in informatization and digitalization since 2021. In addition to that, the Company invested RMB 52.87 million in automated production lines in 2023, and as a result, we have gradually built an automated, digital and intelligent production system. At JL MAG, we continue to enrich our

independent core technologies and patent system with Grain Boundary Diffusion (GBD) technology as the core, and we have applied for a number of invention patents for our own GBD technology both at domestic and international market. In 2023, the Company invested RMB 354 million in R&D, accounting for 5.29% of the revenue.

## **Adhering to the philosophy of people first and achieving win-win development.**

Over the past year, the Company continued to enhance the talent team building. The Company established and improved the employee training system and optimized the dual-track (“technical” and “management”) career development approach, so as to widen the space for the employees' development. The Company has effectively protected the rights and interests of the employees and ensured that they can all enjoy the development of the Company. In 2023, the Company spent a total of RMB 548 million on employee benefits and allowances. Small efforts can add up to great achievement. The Company shares the benefits of enterprise development with society through constant efforts to promote community development, education development and rural revitalization. As of 2023, the Company had issued 1,060 college scholarships to students, with a total amount of RMB 3.76 million.

Over the past 16 years, the Company has continued to pursue the mission of “creating a better life with rare earth”. We have been providing high-performance REPM for NEVs, energy-saving VFACs, wind power generation and other environmental protection and energy-saving industries, and fully using the energy-saving property of our products to reduce the power consumption of various motors. We remain firmly grounded while looking beyond the horizon. In 2024, the Company will continue to adhere to the green development philosophy and consolidate the common understanding of sustainable development. Moreover, the Company will also enhance win-win cooperation at home and abroad and promote low-carbon technological innovation. With these efforts, the Company hopes to make greater contribution to protecting the earth and building a better world together with all employees, customers, shareholders and partners.

Cai Baogui

Co-founder, Chairman and General Manager

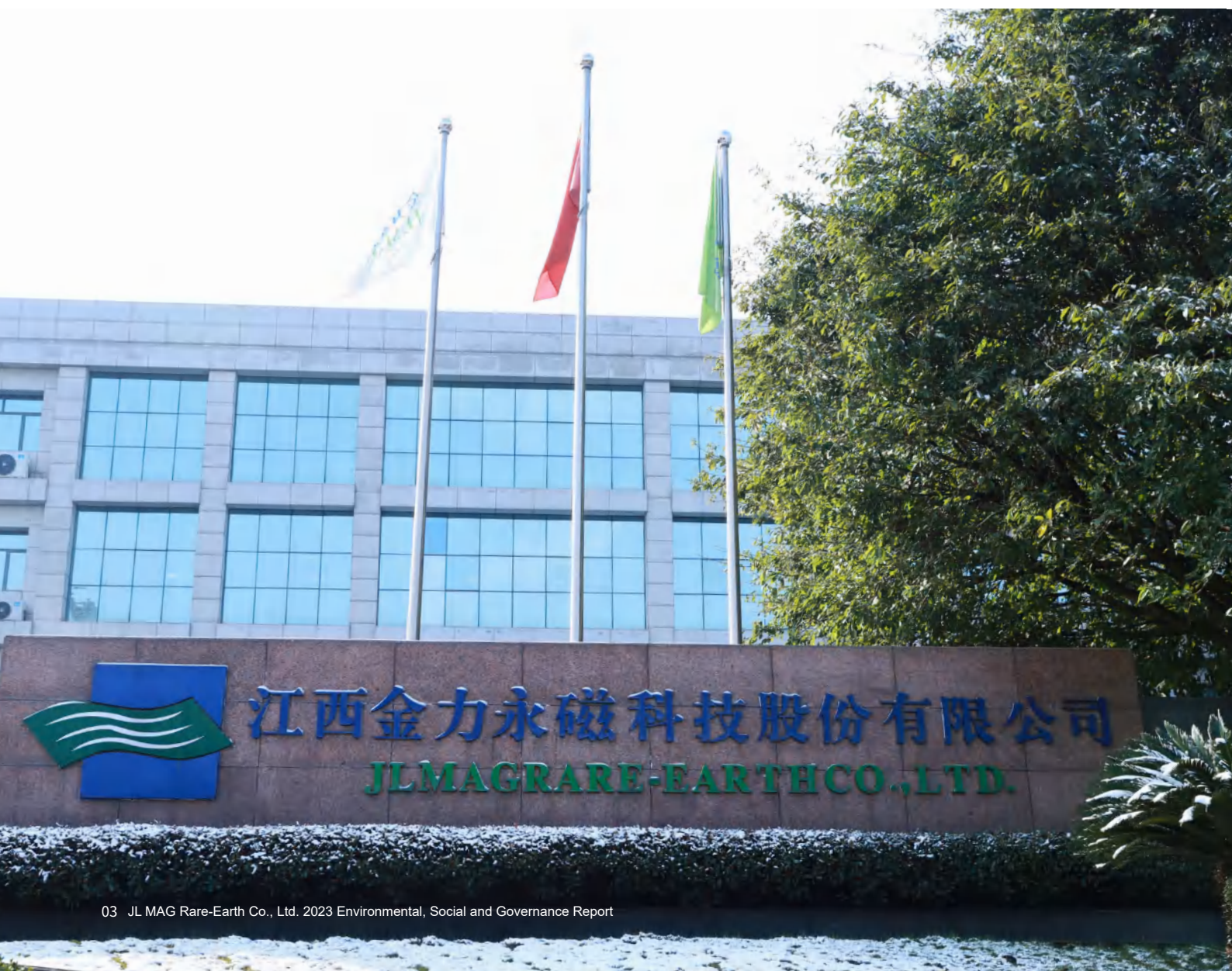
March 2024

# About JL MAG

## Company Profile

JL MAG RARE-EARTH CO., LTD., a high-tech enterprise integrating R&D, production and sales of high-performance Rare-Earth Permanent Magnet (REPM), magnetic components and the recycling and comprehensive utilization of REPM, and a leading supplier of high-performance REPM in the fields of new energy and energy-saving and environmental protection, was incorporated in August 2008. The Company was listed on the ChiNext Market of Shenzhen Stock Exchange (stock code: 300748.SZ) in September 2018 and the Main Board of the Hong Kong Stock Exchange (the "HKEx") (stock code: 06680.HK) in January 2022. The Company's products are widely used for NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators, rail transit and other fields, and have established long-term and stable cooperative relations with leading enterprises at home and abroad in various fields. At present, the annual production capacity of our high-performance REPM blanks has reached 23,000 tonnes. Our rate of capacity utilization throughout the year of 2023 reached over 90%. By 2025, the Company will have the capacity of producing 40,000 tonnes of high-performance REPM, and advanced production lines of magnetic resistance.

With strengths in production and R&D as well as proprietary technologies and product delivery, the Company has held a key position in the segmented market of the following sectors: in the field of NEVs, the Company's products have been adopted by the world's top ten new NEVs manufacturers for motor production; in the field of energy-saving VFACs, eight of the world's top ten manufacturers of inverter air conditioning compressors are our customers; in the field of wind power generation, five of the world's top ten wind turbine manufacturers are our customers; we also actively engage in and play a leading role in the field of 3C, robotics and industrial servo motor, energy-saving elevators, rail transit.





## ESG Annual Honors and Awards

### ● March 2023

- The Company won the “Best Technology Progress Award” of United Automotive Electronics (UAES)

### ● May 2023

- The Company won the “Excellent IR Company”, “Excellent IR Team” and “Institutional Friendly Communication Award” in the 2022 national selection activity of Panoramic Investor Relations Gold Award
- The Company won the Technological Innovation Award of Midea Industrial Technology Group

### ● June 2023

- The Company won the “Special Contribution Award for Corporate Governance” at the 18<sup>th</sup> Golden Round Table Award for Boards of Directors of Listed Companies in China organized by the *Directors & Boards*
- The Company won the 2023 “Star” Company in the 18<sup>th</sup> Selection of China’s Listed Company with Competitiveness and Creditability organized by the *Chinese Securities Journal*

### ● October 2023

- The Company was rated as the highest A-class in the 2022 information disclosure assessment by the SZSE for the 4<sup>th</sup> consecutive year
- The Company was rated as the Supplier of AAAAA Quality and Credit by Goldwind Technology for the 9<sup>th</sup> consecutive year

### ● November 2023

- The Company won the “Golden Bell Award·2022 Gold Award for Information Disclosure” granted by the *China Securities Journal*
- The Company was selected as the “Top 50 Most Valuable Listed Companies in the ChiNext Stock Market” in the 17<sup>th</sup> China Listed Companies Value Selection organized by the Securities Times
- The Company won the “Special Contribution Award” of BYD NEVs in 2023
- The Company was recognized as one of the “Excellent ESG Practice Cases of Listed Companies” in 2023 issued by the China Association for Public Companies
- The Company was listed in the “2023 Jiangxi Top 100 Enterprises List” and “2023 Jiangxi Top 100 Private Enterprises List”

### ● December 2023

- The Company was recognized as one of the “Excellent Board Office Practice Cases of Listed Companies in 2023” issued by the China Association for Public Companies
- The Company was selected as the “2023 ESG Pioneer Case” and recognized as the “2023 ESG Pioneer” in the 2023 Environmental, Social and Governance Conference for Listed Companies organized by the *Securities Daily*

### ● January 2024

- The Company was selected as one of the ROYALFLUSH INFO “Top 100 ESG Leaders”
- The Company won the “2023 High-quality Listed Company Award” issued by the Yinsfinance and “Excellent ESG Practice Cases of Listed Companies” in 2023 issued by VALUEONLINE
- The Company has obtained the title of “Big Taxpayer” issued by Ganzhou Economic Development Zone for the 12<sup>th</sup> consecutive year

## ESG Highlight Performance



### Governance

In 2023, the Company's Board selected Mrs. Cao Ying as an **independent non-executive director**, and **female** directors accounted for **11%** of the total directors, marking the further diversity of the Company's Board.

Mrs. Cao Ying has rich experience in finance and **ESG**. Since 2014, she has been an associate professor in the Chinese University of Hong Kong. She studies in CSR/ESG analysis, ESG information disclosure in accordance with the international standards, ESG rating, ESG investment and the role of accounting in CSR/ESG strategies and reports.

In 2023, the Company established the **ESG Committee**. The ESG Committee is one of special committees under the Board and responsible for the supervision and instruction of effective implementation of the Company's environmental protection and climate-related issues, social responsibilities, standardized governance to improve the Company's ESG management.



### Social

**13,226** tonnes

The Company utilized Grain Boundary Diffusion (GBD) technology to produce high-performance REPM

**32.72%** ↑

a year-on-year increase of

**354** million

The total R&D investment of the Company reached RMB

**5.29%**

accounted of the revenue

**26.09** million

Since 2021, the Company's investment in informatization and digitalization has reached RMB

**52.87** million

The Company invested RMB in automation in 2023

The Company passed TISAX information security assessment and obtained the **TISAX** certification<sup>1</sup> during the year

**11.96** million

The Company invested RMB in health and safety projects

**32.22%** ↑

a year-on-year increase of

**548** million

The Company's expense on employee benefits and allowances reached RMB

**3.38** million

In October 2023, the Company vested restricted shares

**212**

to incentive recipients

**0.25%**

accounted of the Company's total share capital about

<sup>1</sup> Trusted Information Security Assessment Exchange is the only information security certificate mechanism in the car industry issued by the German Association of the Automotive Industry and European Automotive industry Communication Network.



## Environmental

The Company's production of rare earth permanent products can assemble about

**3.9** million

passenger NEVs

**54** million

VFACs compressors

**3.9** GW

installed capacity of wind turbine generators

**34.02** million tonnes/year

facilitating to reduce carbon emissions by about

**115.65**<sup>2</sup> million kWh

The consumption of the Company's green power was a total of

**41%**

accounted of the annual electricity consumption

**1,935** tonnes

The Company used packaging materials for products totaling

**1,053** tonnes

environmentally friendly materials included

**54.45%**

accounted of the total materials

**12.93** million

The Company's total investment in environmental protection reached RMB

**1,848** tonnes

The Company used recycled rare earth raw materials (including waste magnetic steel recycling) throughout the year totaling

**29.39%**

accounted of the annual rare earth raw material consumption

Ganzhou Factory continued to obtain **ISO 14064** certification and **PAS 2060**<sup>3</sup> carbon neutrality certification

<sup>2</sup> The annual consumption of green power includes mainly the consumption in Ganzhou Factory and Baotou Factory.

<sup>3</sup> PAS 2060 is an internationally recognized standard on carbon neutrality and requires to quantify and reduce greenhouse gas emission to realize low-carbon production. For carbon emissions that can't be reduced, the standard encourages enterprises to realize the carbon neutrality in form of offset and voluntary adoption of compensation.





## Our ESG Management

### Statement of Board

The Company attaches great importance to the ESG work, continues to improve our ESG governance capacity, and is committed to environmental, social and corporate sustainability. The Company has established an ESG governance structure consisting of the Board, management and ESG-related departments to improve the Company's ESG management and promote the sustainable high-quality development.

#### Regulation of ESG matters:

The Environmental, Social and Governance (ESG) Committee of the Board oversees the ESG matters of the Company and is chaired by Mr. Cai Baogui, the Chairman of the Board. The ESG Committee studies and makes recommendations on ESG work, including the Company's ESG strategy and environmental protection, climate governance, business ethics, production safety, information security and other materiality issues and follow up and check the implementation and improvement of ESG work, ensuring that the management and decision-making mechanism of the Company's important ESG development issues meets the requirements of relevant laws and regulations. The ESG Committee also reviews reports on the Company's sustainable development and ESG matters.

#### ESG management policy and strategy:

The Company regularly assesses the importance of environmental, social and governance issues and submits these issues to the Board for review. The process and results of the assessment are detailed in the "Stakeholder Engagement" and "Materiality Assessment" of this report. The Company has fully identified the significant ESG risks related to our own operations, including product quality, safe production, climate change, cooperate governance, three types of wastes management and occupational health and safety, and has made relevant measures which shall be implemented by relevant departments in their operational management according to the requirements of the Company.

#### Review of ESG targets:

During the year, the Company has set environmental goals related to its operations in terms of energy saving, emission reduction and waste reduction. The Board has reviewed and discussed the establishment of these goals.










This report also discloses the above matters related to the aspects of environmental, social and governance, which has been reviewed and approved by the Board on March 28, 2024.

## ESG Strategy

The Company has been improving our ESG strategy by integrating ESG factors such as compliance operation, low-carbon development, environmental management, quality guarantee, safety responsibility, talent management and social charity into our operations and day-to-day management. The Board of the Company regularly reviews the ESG strategy of the Company to review and ensure that it is in line with the Company's development strategy. Based on the characteristics of its own business, the Company has identified the priorities of the United Nations Sustainable Development Goals (UN SDGs) and integrated them with the ESG strategy of the Company to guide the ESG work.

<p>Abiding by Compliance, Forging Foundation for Development</p>	<p>A sound corporate governance is the core cornerstone of the Company's stable development. The Company adheres to the principle of "lawful operation" and continues to improve the corporate governance structure. During the year, the Company established the ESG Committee of the Board, which is responsible for overseeing and guiding the effective implementation of the Company's work in environmental protection and climate-related matters, social responsibility and standardized governance. In addition, the Company's Board of Directors was reelected during the year and one female independent non-executive director was elected, increasing the proportion of female directors to 11%. The Company is committed to enhancing the governance and optimizing the business ethics management, so as to ensure the Company's compliant, stable and sustainable development and create long-term value for all stakeholders.</p>	 
<p>Embracing "Dual Carbon" Strategy, Leading Low-Carbon Development</p>	<p>This year, the Company built a "green philosophy framework" to promote the low-carbon development from the dimensions of green production, green life and green supply chain. Under the "green philosophy framework", the Company actively develops low-carbon products, taps green electricity, recycles rare earth, optimizes the use of packaging materials, striving to be the pioneer of green development in the "double carbon" era. Further, the Company continues to promote climate governance, actively prevent climate risks, and set dual-carbon targets and implementation paths. We also contribute to the achievement of carbon neutrality for both China and the world by supplying rare earth permanent magnetic materials to many leading new energy and energy-saving environmental protection enterprises.</p>	   
<p>Deepening Environmental Management, Showing Ecological Landscape</p>	<p>The Company strives to build a resource-conserving and environmental-friendly enterprise, firmly committed to the path of green development and sustainable development. Under the "green philosophy framework", the Company has made significant progress in green production and green living. This year, the Company made continuous efforts to optimize resource utilization, actively build green factories, protect biodiversity, strengthen waste gas, wastewater, and solid waste management, effectively integrating green concepts into production, operations, employee work, and lives and promoting green development with concrete actions.</p>	    



<p>Stressing Quality Assurance, Consolidating Product Advantages</p>	<p>Following the "green philosophy framework", the Company has built a green supply chain, aiming to enhance suppliers' awareness and ability to reduce carbon emissions and promote the sustainable development of the product supply chain by conducting supplier life cycle management, actively carrying out supplier ESG due diligence and ESG special training. Besides, in response to customer demands, the Company continuously improves product and service quality, drives R&amp;D innovation, prioritizes product quality and enhances intelligent manufacturing. It also builds a reliable customer service system, strengthens information security management, and is committed to providing innovative and high-quality products and services for the society to achieve sustainable development.</p>	 
<p>Compacting Safety Responsibilities, Building Safety Barriers</p>	<p>Safety is the lifeline of a company. The Company continuously improves our safety management system and structure and establishes a sound risk identification and response mechanism. We also organize training on safety production and occupational health to build a healthy and safe workplace for our employees and contractors, minimizing the occupational health and safety risks that they may face.</p>	 
<p>Practicing People-Oriented Philosophy, Joining Hands to Win Together</p>	<p>The Company adheres to the value concept of "people-oriented" and regards employees as our most valuable asset. We respect every employee and are committed to creating an equal, diverse, and healthy work environment. We established transparent and fair promotion channels and provided comprehensive living and professional skills training for employees to help them develop in the long term. We implement the employee welfare system, truly care for employees' lives, enhance employees' sense of belonging, achieving mutual benefit and win-win relationship between employees and the Company.</p>	   
<p>Contributing to Society, Shouldering Responsibilities</p>	<p>The Company actively fulfills its commitment to community development. To this end, we continue to carry out public welfare projects in wider scope and to deeper extent in higher education, rural revitalization, community services, and ecological and environmental protection, doing our best to empower community development and help early achievement of common prosperity. Since the establishment in 2008, the Company's tax contribution has accumulated to approximately RMB 982 million.</p>	   

## Stakeholder Engagement

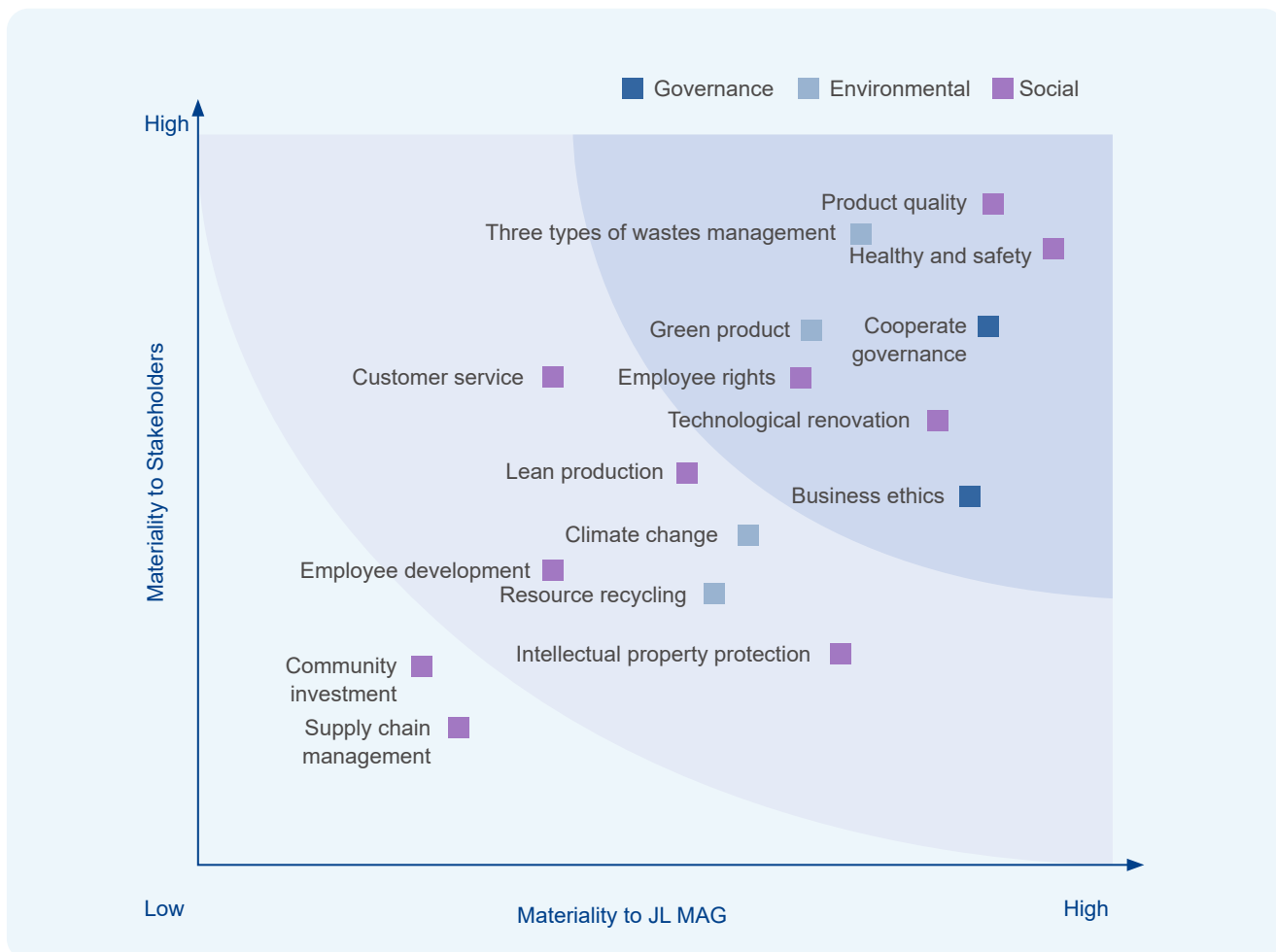
Based on the principle of "Mutual Benefit and Common Development", the Company has been communicating with the stakeholders in different ways to timely learn about and respond to their needs and use their opinions and demands as the motivation to continuously improve the ESG management of the Company. During the year, the Company has identified important stakeholders that may significantly influence our operations, and the specific communication matters and channels are shown in the following table:

Main stakeholder	Communication matter	Communication channel
Customer	Product quality Quality service Protection of customer's rights	On-site visit Telephone/ E-mail communication Customer satisfaction survey
Employee	Compliance employment Compensation and benefits Occupational health and safety Training and development	Employee contract Employee representative meeting Employee training Employee satisfaction survey
Shareholders/Investors	Results of operation Compliance governance Risk prevention Business ethics	Shareholders' meeting Information disclosure On-site survey Online communication
Supplier	Fair procurement Trading integrity Supplier training and empowerment	Supplier meeting Supplier contract Telephone/E-mail communication
Government	Driving employment Compliance operation Green production	Visit reception Information disclosure Document submission
Industry partners/Industry association	Product responsibilities Mutual benefits	Participation in standard development Industry exchange meeting School-enterprise partnership
Community	Social welfare Volunteer service	Volunteer activities Charitable donations



## Materiality Assessment

Under the supervision of the ESG Committee, the Company has carried out stakeholder surveys to identify material ESG issues closely related to its business by reviewing national policies, industry trends and the Company's development plans, and has built a matrix of materiality analysis, which has been confirmed by the Board. The matrix of materiality analysis related to ESG for the year is as follows:



Highly important issues		Moderately important issues		Other related issues
Product quality	Business ethics	Lean production	Customer service	Community investment
Three types of wastes management	Cooperate governance	Intellectual property protection	Resource recycling	Supply chain management
Healthy and safety	Green product	Climate change	Employee development	
Employee rights	Technological renovation			

Contributing to these SDGs correspondingly



# Abiding by Compliance Forging Foundation for Development

A sound corporate governance is the core cornerstone of the Company's stable development. The Company adheres to the principle of "lawful operation" and continues to improve the corporate governance structure. During the year, the Company established the ESG Committee of the Board, which is responsible for overseeing and guiding the effective implementation of the Company's work in environmental protection and climate-related matters, social responsibility and standardized governance. In addition, the Company's Board of Directors was reelected during the year and one female independent non-executive director was elected, increasing the proportion of female directors to 11%. The Company is committed to enhancing the governance and optimizing the business ethics management, so as to ensure the Company's compliant, stable and sustainable development and create long-term value for all stakeholders.



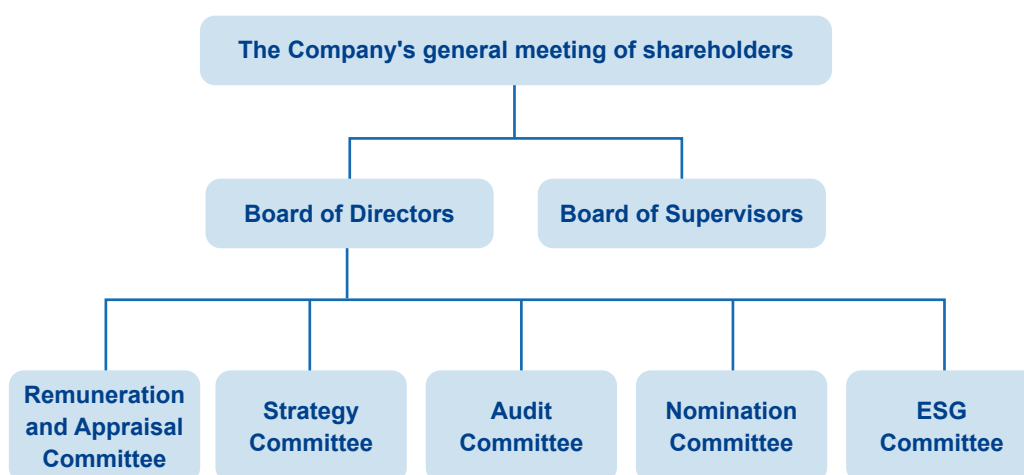
# Strengthening Responsibility Governance

In strict accordance with the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies* and other relevant laws, regulations and normative documents, the Company has established and improved the *Articles of Association* and internal control rules and regulations, continuously improved the corporate governance structure, standardized the operations, improved the corporate governance, and formed a scientific and efficient corporate governance mechanism with clear responsibilities and powers.

The Company has established a governance structure composed of the Board of Directors and its special committees, the Supervisory Committee and the management. Each governance body has well defined duties, authorities and responsibilities, and operates independently, collaboratively, and in mutually counterbalancing with each other. The Board, as the supreme decision-making body of the Company, has five special committees, namely, the Remuneration and Appraisal Committee, the Strategy Committee, the Audit Committee, the Nomination Committee and the ESG Committee, providing powerful support in regulating corporate governance, strengthening day-to-day operation and management, making decisions on major matters and ESG management. The Supervisory Committee supervises the Company's financial status, as well as the behavior of the Company's directors and senior management, to ensure the legal and compliant operations of the Company and to safeguard the legitimate rights and interests of the company and the shareholders. The management shall carefully implement the resolutions of the Board, strengthen lean management, optimize industrial structure and strive to achieve the annual production and operation targets set by the Board.

During the year, the Company established the ESG Committee of the Board and formulated the *Rules for the Environmental, Social and Governance (ESG) Committee*, which specifies that the ESG Committee, as one of the special committees of the Board, is responsible for overseeing and guiding the effective implementation of the Company's work in respect of environmental protection and climate-related matters, social responsibility, and standardized governance. The ESG Committee is chaired by Mr. Cai Baogui, Chairman of the Board, and comprises Mrs. Cao Ying, an independent non-executive director of the Company, and senior executives of the Company. The ESG Committee holds meeting on an annual basis to discuss and make decisions on ESG-related matters. In the reporting period, each of the Company's governance bodies carried out management decisions and operational supervision in strict accordance with the normative operating rules and internal systems, and performed their corresponding duties.

During the year, the Company's Board of Directors was reelected and Mrs. Cao Ying was elected as an independent non-executive director, increasing the percentage of female directors to 11% and further enhancing the diversity of the Board. Mrs. Cao Ying has a PhD in Accounting from Texas A&M University and is a Certified Public Accountant (CPA) in China. She has extensive financial experience and ESG professional background. Since 2014, she has been an associate professor at the School of Accountancy of The Chinese University of Hong Kong. Her research covers CSR/ESG analysis in the context of the capital market, ESG disclosure in accordance with international standards as well as the role of accounting in corporations' CSR/ESG strategies and reporting.



## Governance Structure



During the year, the ESG Committee comprehensively scrutinized the performance of the Company's ESG work in the areas of low-carbon development, environmental protection, product innovation, quality assurance, supply chain management and talent management. The ESG Committee gained an in-depth understanding of the Company's target achievement in each area and put forward targeted recommendations and improvement measures, which provided important references and guidance for the Company's ESG work in the following year.

### Composition of special committees of the Board

	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	ESG Committee
● Mr. Cai Baogui		●		●	●
Mr. Hu Zhibin	●			●	
Mr. Li Xinnong				●	
Mr. Liang Minhui					
Mr. Li Xiaoguang				●	
Mr. Lyu Feng			●		
● Mr. Zhu Yuhua	●		●	●	
● Mr. Xu Feng		●	●	●	
● Mrs. Cao Ying	●	●			●
Mr. Yu Han					●
Mr. Yi Pengpeng					●
Mr. Su Quan					●

● Chairman of the Board   ● Independent non-executive director   ● Chairman   ● Member



# Adhering to Business Ethics

The Company strictly complies with the laws and regulations such as the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Interim Provisions on Prohibition of Commercial Bribery* and other laws and regulations, has formulated policies related to business ethics such as the *Reporting Management System of the Company*, the *Anti-Money Laundering Management System*, the *Anti-Fraud Management System*, the *Anti-Corruption and Anti-Bribery Management Procedures* and the *Supplier Management Procedures*, and has set out the anti-bribery and anti-corruption requirements for all employees and stakeholders.

## Business Ethics Governance

The Company has established a three-tier system on business ethics consisting of the Board, the Audit Committee and the Audit Department. The Board receives regular reports on business ethics, monitors the overall performance of the Company in business ethics, and takes the ultimate responsibility for such matters. The Audit Committee, chaired by an independent non-executive director, is responsible for coordinating, supervising and directing efforts related to business ethics in the Company. The Audit Committee holds meetings on a quarterly basis to communicate, monitor and verify related work. The Audit Department is responsible for carrying out anti-fraud audits, anti-fraud investigations and special work assigned by the senior management

The Company is committed to strengthening the governance of business ethics. Each department conducts self-assessments on internal control on a regular basis, establishes key control points where business ethics risks, such as the fraud risk, are likely to occur, and examines the systems, processes, and fulfillment of business ethics to prevent the occurrence of business ethics violations. The Company also implements strict internal control over procurement and other business processes that are prone to corruption, and incorporates procurement practices into electronic procurement management system to ensure that relevant information is audited and monitored by several persons, effectively preventing violations of rules from occurring.

## Business Ethics Audits

The Company's Audit Committee shall make annual audit plan, conduct annual reviews and random checks on the implementation and results of business ethics-related issues, and ensure that the audit covers more than 95% of the Company's businesses. In 2023, the Company conducted business ethics audits in related departments and major factory sites, including an on-site comprehensive audit on Jinli Permanent Magnet (Baotou) Technology Co., Ltd. And a remote audit on JLMAGRARE-EARTH (NINGBO) CO., LTD.

During the reporting period, there was no embezzlement lawsuit filed against the Company or its employee that were concluded.

## Business Ethics Training

The Company is committed to fostering a compliance culture of honesty and integrity, and continuously promotes the promotion of business ethics to enhance employees' awareness of business ethics compliance. The company requires managers, sales and purchasing staff and other key positions to sign the *Business Ethics Commitment Letter* and the *Integrity and Self-Discipline Commitment Letter*. In addition, we have established a business ethics monitoring system to inspect and assess the compliance of employees at all levels with business ethics rules to create an integrity working environment.

The Company regularly provides business ethics compliance training and seminars for all employees on anti-corruption, anti-bribery and other topics, to enhance employees' knowledge of business ethics. Business ethics training is also incorporated into the new employee orientation training. The Company explains to all new employees the Company's business ethics-related policies and the code of conduct on business ethics, including the general principles of business ethics, business ethical behavior, the definition and handling of conflict of interest, etc., during the new employee orientation phase to ensure that employees establish the concept of abiding by business ethics from the first day of their employment. During the year, the Company conducted 116 business ethics training sessions for all employees, with a 100% coverage percentage and an accumulated duration of 5,544 hours.



Specialized training on *Anti-fraud and Anti-Bribery Integrity Education*

Furthermore, the Company also conducted two business ethics trainings for the Board to help directors fully understand the requirements of relevant laws and regulations and strengthen their awareness of business ethics compliance through internal meetings and external lectures.

During the year,

The number of business ethics training sessions that the Company conducted for all employees

**116**

The training sessions covered

**100%** employees

Accumulated training hours reached

**5,544** hours

## Supplier Integrity Management

To promote the construction of supply chain integrity, the Company formulated and released the *Procurement Operation Management System*, which refined the integrity requirements for the procurement team and stipulated that the procurement team must strictly abide by 14 articles regarding professional conduct for personal integrity and self-discipline, so as to make the supplier admission and procurement procedures more transparent. For suppliers with cooperation intention, the Company requires them to strictly abide by the requirements for procurement transparency and integrity, and must sign the *Commitment Letter on Anti-Bribery of Suppliers* and the *Good Faith Procurement Agreement* before conducting business with the Company, and the Company clearly rejects any bribery in any form to its employees.

During the cooperation, the Company continuously strengthens the integrity management efforts of suppliers, standardizes management in accordance with the relevant requirements related to business ethics of the *Code of Conduct for Sustainable Development of Suppliers*, and conducts questionnaire audit for the annual review of suppliers. The Company also randomly investigates the business ethics compliance of suppliers from time to time through on-site visits and other approaches. Once any violation is found, the partnership with the violating suppliers will be terminated in a timely manner. At the same time, the Company has also disclosed the reporting phone number and reporting email in procurement contracts to encourage suppliers to actively report incidents of business ethics violations.

By the end of the reporting period, the signing percentage of both *Commitment Letter on Anti-Bribery of Suppliers* and the *Good Faith Procurement Agreement of the Company* had reached

**100%**

## Reporting and Handling Mechanism

During the year, the Company continued to strengthen the system construction, revised and improved the *Reporting Management System of the Company* and enriched the business ethics reporting channels. Meanwhile, the Company also encouraged employees, suppliers, customers and other informed personnel to report any behaviors violating laws, regulations, company systems and code of ethics through letters, emails, phone calls, WeChat official account, in-person reports and other means.

In strict accordance with the *Reporting Management System of the Company*, the Company carries out the registration, acceptance, investigation and report of reporting incidents. In the process, the Company shall strictly keep the confidentiality of the personal information such as the reporter's name, unit, contact information and the specific content of the report, to protect whistleblowers from retaliation in any forms arising from their lawful reporting. In addition, when the report processing personnel and the reporting or reported persons have conflicts of interest, the report processing personnel shall avoid to participate in the investigation to ensure that the reported matter could be handled fairly.

If the reported matter is verified, the Company shall take corresponding measures according to the severity of the circumstances. For minor cases, the Company shall give warning and require the parties involved to rectify within a certain period of time; for serious cases, the Company shall terminate the labor contract with the parties involved and investigate their legal responsibilities according to the law.

### Business ethics reporting channels

- Address: Audit Department, Jiangxi JL MAG RARE-EARTH CO., LTD., No. 81, Jinling West Road, Ganzhou City, Jiangxi Province, China, Post code: 341000
- Email: SJ@jlmag.cn
- Tel.: 0797—8068243, 19196711748
- We-Chat ID: 19196711748
- On-site report handling department: the Company's Audit Department



Contributing to these SDGs correspondingly



# Embracing “Dual Carbon” Strategy Leading Low-Carbon Development

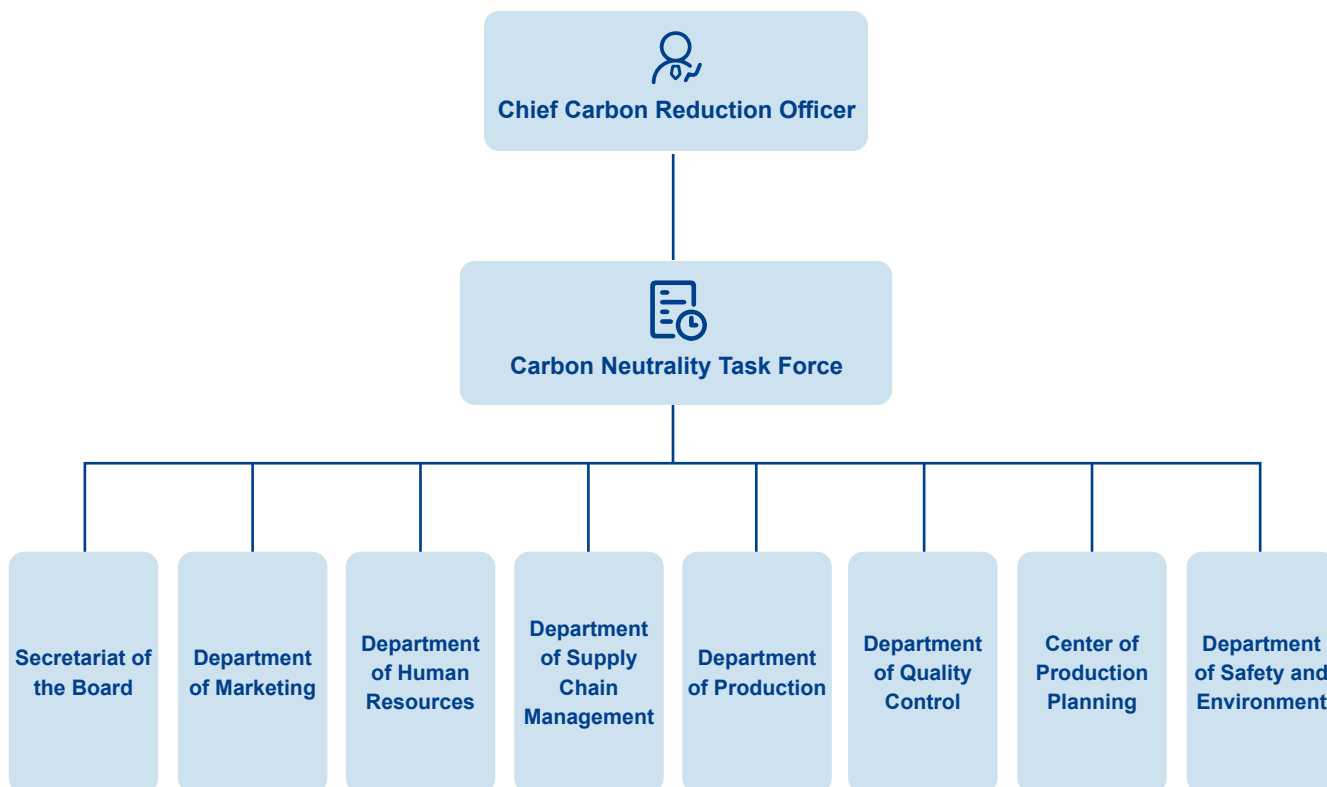
This year, the Company built a “green philosophy framework” to promote the low-carbon development from the dimensions of green production, green life and green supply chain. Under the “green philosophy framework”, the Company actively develops low-carbon products, taps green electricity, recycles rare earth, optimizes the use of packaging materials, striving to be the pioneer of green development in the “double carbon” era. Further, the Company continues to promote climate governance, actively prevent climate risks, and set dual-carbon targets and implementation paths. We also contribute to the achievement of carbon neutrality for both China and the world by supplying rare earth permanent magnetic materials to many leading new energy and energy-saving environmental protection enterprises.

# Addressing Climate Change

Climate change is a challenge for all mankind. As a responsible corporate, the Company takes climate change as an important driving force for ecological environment protection and high-quality development. By continuously improving the climate change management structure, identifying and evaluating the risks and opportunities brought about by climate change, the Company actively responds to the corresponding challenges and is committed to minimizing the adverse impacts of its business activities on the environment.

## Promoting Climate Governance

The Company has assigned a Chief Carbon Reduction Officer dedicated to comprehensively implementing a green business practice model in all aspects from product development to operation management. The deputy general manager of the Company shall act as the Chief Carbon Reduction Officer, who shall be responsible for planning the overall work related to carbon neutrality, promoting and monitoring the important carbon reduction projects of the Company, selecting carbon neutrality projects for investment. At the same time, the Company has established a Carbon Neutrality Task Force, with the director of quality department as the responsible person and the Secretariat of the Board, Department of Human Resources and the Department of Marketing, Department of Supply Chain Management, Department of Production, Department of Quality Control, Center of Production Planning as the main promotion and support business units, to fully manage the Company's strategic planning, policies, resource, target-setting and monitoring project's implementation and execution on climate change issues, and to report to the Chief Carbon Reduction Officer monthly.



**Climate Change Management Structure**

## Preventing Climate Risks

Based on the characteristics of the industry and the actual conditions, the Company identifies the impact of climate-related risks and opportunities on its own production operations, finance and other aspects.

Climate Change Risks and Opportunity	Potential Financial Impact	Description of Measures
Physical Risks	<p>Climate change may result in extreme weather and geological disaster events, such as storms, typhoons, floods, earthquakes and mudslides. These events are likely to cause failure to the power or water supply facilities for the Company's production, resulting in an increase in operating costs and the cost of maintaining assets and equipment facilities.</p>	<p>The Company has formulated 18 policies such as the <i>Environmental Monitoring Management Procedures</i> and the <i>Environmental Accident Emergency Preparedness and Response Procedures</i>, to strengthen climate change risk prevention and control measures, such as using generators to ensure electricity supply, building higher flood control steps, increasing the frequency of maintenance and inspection of transportation facilities and purchasing climate insurance, so as to improve the ability to resist natural disasters.</p>
Transition Risks	<p>As environmental protection regulatory policies have been tightened in the rare earth industry and the carbon market has been established, relevant management regulations on carbon emissions have been formulated and refined, imposing higher regulatory pressure on the Company. For example, the increasingly stricter disclosure of carbon emission information will have higher requirements on the carbon emission data management ability of enterprises, the accuracy and credibility of carbon emission data disclosure, which may lead to higher compliance costs for companies (such as the corresponding penalties arising from "greenwashing").</p>	<p>The Company has established a Carbon Neutrality Task Force, assigned the Chief Carbon Reduction Officer, actively paid attention to the changes in climate change-related policies and set practical carbon neutrality targets and implementation route, including promoting comprehensive energy solutions and using more clean energy such as photovoltaic and wind power. In addition, the Company actively engages external ESG experts to assist the Company in establishing a sound ESG data management system, optimizing ESG digital statistical tools. In addition, the Company plans to conduct third-party assurance of carbon emission data to improve the quality and reliability of the Company's data disclosure.</p>
Opportunity	<p>With the popularity of the concept of green development, customers' demand for low-carbon and environmentally friendly products and services has increased. Magnetic steel products with low-carbon and environmentally friendly properties will be favored by more customers, which will help further expand the market of the Company's magnetic steel products and increase business income.</p>	<p>The Company focuses on green and low-carbon technology, and continues to play the role of low-carbon magnetic steel products in the field of environmental protection by increasing R&amp;D investment in rare earth permanent magnet materials, so as to help customers reduce carbon emission costs and meet diversified market demand.</p>



## Setting Environmental Goals

The Company is committed to the Carbon Peaking and Carbon Neutrality goals and is moving forward to “achieve full life cycle carbon neutrality for partial products by 2030”<sup>4</sup> with clear environmental targets and carbon reduction routes. In 2023, responding to changes in market demand and considering production and operational models, the Company adjusted its product structure, revised and updated its environmental goals.

### Progress of the Current Year

#### Emission reduction



By the end of 2023, the Company’s Ganzhou factory plans to reduce carbon emissions per tonne of magnetic steel products by 8% each year<sup>5</sup>.



**Achieved**

#### Energy saving



By the end of 2025, the Company’s Ganzhou factory plans to reduce electricity consumption per production unit by 5% compared with 2022.



**In Progress**

By the end of 2025, the Company’s Ganzhou factory plans to reduce natural gas consumption per production unit by 10% compared with 2022.



**In Progress**

#### Waste reduction



By the end of 2024, the Company aims to use environmentally friendly packaging materials for 75% of the total usage, reducing traditional packaging materials by 30 tonnes compared with 2023.



**In Progress**

By the end of 2024, the Company aims to reduce packaging material usage by 800 tonnes through lightweight design and packaging recycling<sup>6</sup> compared with 2023.



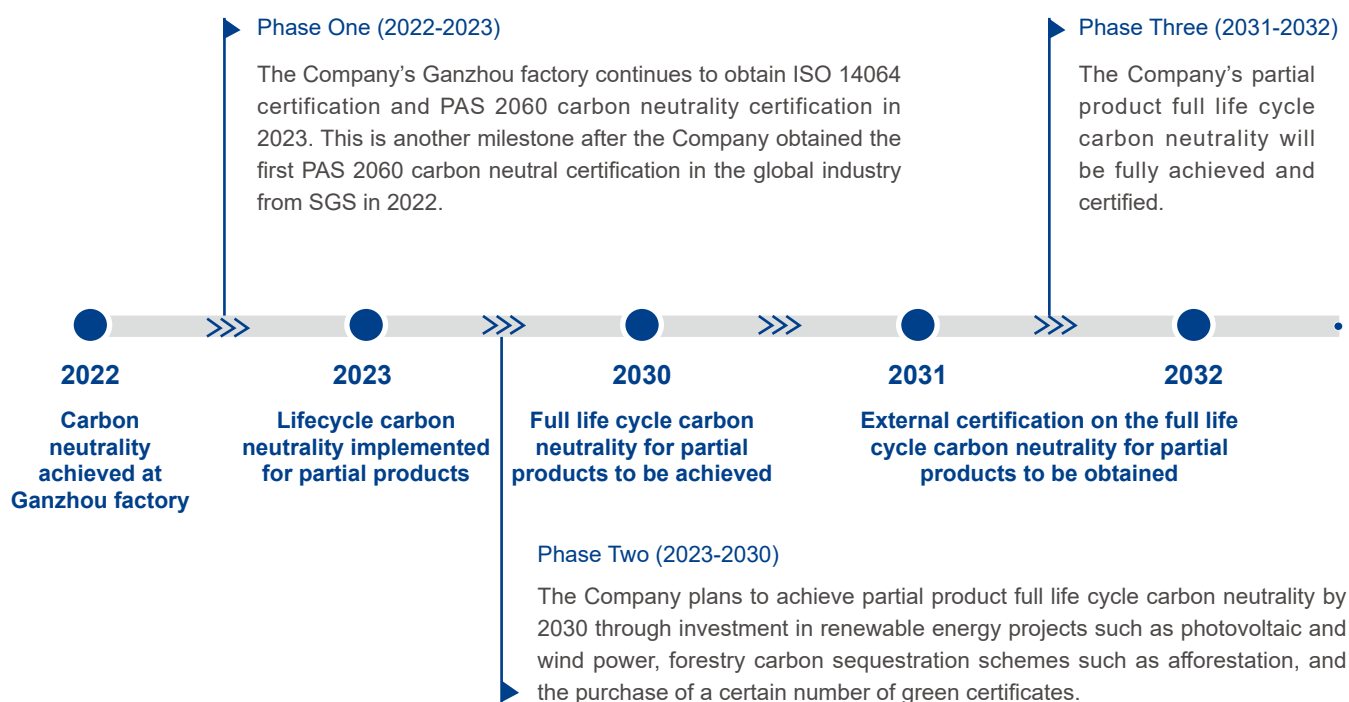
**In Progress**

<sup>4</sup> The goals cover the Company’s Ganzhou factory, the Ganzhou JL MAG Material Processing Co., Ltd., which is a wholly-owned subsidiary of JL MAG.

<sup>5</sup> Carbon emissions per product unit refers to the carbon emissions generated from the production of each qualified product unit (or from the processing of each raw material or service unit) by the enterprise (facility).

<sup>6</sup> The Company’s packaging materials include wood, cardboard, plastic, iron sheet, foam, pearl cotton, PE bags, and other materials.

Guided by the environmental goals, the Company has outlined and refined a “three-step” roadmap that focuses on both “speed” and “intensity”, to achieve the carbon reduction objectives. The specific action plan is as follows:



This year, the Company's GHG emissions are as follows:

Indicator	Unit	Year of 2023	Year of 2022	Year of 2021
Total GHG emissions <sup>7</sup>	tCO <sub>2</sub> e	83,512	109,146	91,005
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	4,052	3,221	2,562
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	79,460	105,925	88,443
GHG emission per RMB 1,000 of revenue <sup>8</sup>	tCO <sub>2</sub> e/RMB'000 of revenue	0.013	0.015	0.022

<sup>7</sup> During the reporting period, Total GHG emissions included Scope 1 and 2 emissions. Direct GHG emissions (Scope 1) come mainly from fossil fuel combustion, while indirect GHG emissions (Scope 2) come mainly from purchased electricity. GHG emissions data are presented in terms of CO<sub>2</sub> equivalent, with direct GHG emissions (Scope 1) calculated by multiplying fossil fuel consumption by emission factors, and indirect GHG emissions (Scope 2) calculated by multiplying electricity purchases by emission factors. The emission factor is quoted from the National Development and Reform Commission's "Average CO<sub>2</sub> Emission Factors of China's Regional Power Grids for 2011 and 2012".

<sup>8</sup> The GHG emission per RMB 1,000 of revenue is calculated by dividing emissions by annual product sales revenue.

# Developing a Low-Carbon Economy

This year, the Company continued to promote the development of a low-carbon economy. We invested in low-carbon businesses, and made significant progress in rare earth recycling, packaging optimization, and green electricity use, steadily advancing the construction of a low-carbon economy.

## Creating Low-Carbon Products

Rare earth permanent magnet is the most excellent permanent magnet material in terms of magnetic parameters, cost effectiveness, and comprehensive performance in the current industrial production. The use of rare earth permanent magnet in motors can reduce the use of magnetic materials, cut motor size and weight, and increase the energy efficiency by more

than 10%-15% compared to ordinary permanent magnets, greatly reducing power consumption. Additionally, its widespread use in wind power and new energy vehicles will also contribute to the development of new energy and clean energy. By producing and providing high-performance rare earth permanent magnet, the Company could continue to play an important role in its own products

for NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators, rail transportation and other environmental protection industries, and strive to contribute to the global low-carbon transition.

By the end of 2023,



The sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately

**3.90** million passenger NEVs

facilitating to reduce carbon emissions by approximately

**8.04** million tonnes/year



The sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble approximately

**54** million VFAC compressors

facilitating to reduce carbon emissions by approximately

**19.53** million tonnes/year



The sales volume of the Company's magnetic steel products for wind power sector can equip wind turbine generators with an approximate aggregate installed capacity of

**3.9** GW

facilitating to reduce carbon emissions by approximately

**6.45** million tonnes/year

This year, the Company's products contributed to reducing carbon emissions by a total of approximately

**34.02** million tonnes/year





## Optimizing Packaging Material Use

To improve the efficiency of resource utilization, building a material recycling system is an important measure to practice the philosophy of a circular economy. Currently, the Company uses packaging materials including wood, cardboard, plastic, iron sheet, foam, pearl cotton, and PE bags in packaging and transportation processes. To comprehensively promote low-carbon and circular development, we have formed an optimization strategy for the use of packaging materials that integrates material reduction, reuse, and environmental design.

### ● Material reduction

The Company sets unified specifications for materials such as blister packs, rust-proof bags, vacuum bags, foam boxes, and cardboard boxes, to reduce packaging material use and carbon reductions through material reduction and standardized use. At the same time, we optimize the product transportation process by reducing the use of hard-to-degrade PE bags while ensuring product protection.

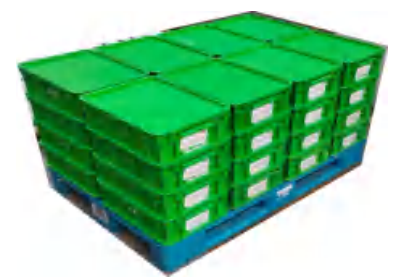
This year,

the Company reduced the use of PE bags by

**4.81** tonnes

### ● Material reuse

The Company attaches importance to the reuse of packaging materials. We use a series of reusable packaging systems, including recycled injection-molded plastic pallets, turnover boxes, and plastic pallet trays, to replace the disposable packaging systems of blister packs, foam boxes, and cardboard boxes. The move can continuously facilitate the sharing of packaging materials and minimize the variety of packaging materials used, thereby reducing resource consumption and waste. Turnover boxes with self-locking lids eliminate the need for taping and reduce the use of packaging materials such as plastic, foam boxes, and corrugated paper. This not only saves costs but also improves packaging efficiency and meets green environmental requirements.



Recycled Plastic Pallet Trays

This year,

the Company's accumulated use of recycled packaging materials reached

**182.4** thousand units

the Company's recycled plastic (plastic turnover boxes/injection-molded plastic pallets/plastic pallet trays/ plastic pads), pearl cotton, and wood (wooden boxes) totaled

**702.64** tonnes

the Company uses recycled packaging to transport products with a total weight reached

**2,392.68** tonnes

## ● Environmental packaging design

The Company continuously improves existing packaging plans. Under the premise of ensuring product safety, we consider material properties in design to optimize and replace packaging materials, improve packaging structures and refine partial designs, aiming to use the least amount of material and simpler structures for packaging to reduce resource consumption and avoid environmental impact.

By the end of 2023,

the total amount of packaging materials used in the Company's products was

**1,935** tonnes

in which environmentally friendly packaging materials totaled

**1,053** tonnes

the use of environmentally friendly packaging materials accounted for

**54.45%** of the total

## Using Green Power

Developing renewable energy and promoting green power usage have become a global consensus in tackling climate change and driving green low-carbon transformation. Adhering to "Green Power Empowerment", JL MAG gradually expands green power input, strengthens green power cooperation and improves the green power usage system. This year, the Company's total green power usage reached 115.65 million kWh, accounting for 41% of total power usage. In response to the *Several Policies on Adjusting Strategic Emerging Industry Power Transactions* set forth by the Department of Industry and Information Technology of Inner Mongolia Autonomous Region, Jinli Permanent Magnet (Baotou) Technology Co., Ltd. (hereafter referred to as "JL MAG (Baotou)") actively expands green power cooperation to increase the proportion of green power usage. In 2023, JL MAG (Baotou)'s green power usage totaled 43.36 million kWh, accounting for 58% of total power usage.

During the reporting period, the "Rooftop distributed photovoltaic Power Station Project" cooperated by the Company and Ganzhou Tiancheng Tongchuang Intelligent Energy Co., Ltd., a wholly-owned subsidiary of Goldwind Technology, was completed and connected to the grid, with a total installed capacity of 2.61MW, achieving 2.42 million kWh of rooftop photovoltaic power generation in 2023, covering photovoltaic area of about 16,000 square meters, and reducing 1,735 tonnes of carbon emissions annually. The "China Resources New Energy Baotou Jinli Permanent Magnet 3.2MW distributed photovoltaic power generation Project" cooperated by Jinli Permanent Magnet (Baotou) Technology Co., Ltd. and China Resources New Energy Investment Co., Ltd. has completed the government publicity, and plans to complete grid-connected power generation in 2024.



This year,

the Company's total green power usage reached

**115.65** million kWh

accounting for

**41%** of total power usage

The "Rooftop distributed photovoltaic Power Station Project" cooperated by the Company and Ganzhou Tiancheng Tongchuang Intelligent Energy Co., Ltd., a wholly-owned subsidiary of Goldwind Technology, was completed and connected to the grid



with a total installed capacity of

**2.61** MW

In 2023, the project generated

**2.42** million kWh of rooftop photovoltaic power

covering photovoltaic area of approximately

**16,000** square meters

reducing carbon emissions by an average of

**1,735** tonnes per year



## Insisting on green rare earth recycling

The Company's rare earth strategic procurement adhere to the priority of green recycling rare earth. We use the advantages of self-supporting traceability owned by Yinhai Company<sup>9</sup> (hereinafter referred to as "Yinhai"), which is the group's own recycling rare earth company, to promote the rare earth raw materials supply diversification and low carbonization of product. In order to achieve the goal of saving resources, stabilizing the supply chain, and "dual carbon", the Company actively develops the rare earth recycling industry. In 2023, the Company used 1,848 tonnes of recycled rare earth raw materials (including waste magnetic steel recycling), accounting for 29.39% of the annual use of rare earth raw materials.

In 2023, Bayannur Yinhai New Materials Co., Ltd., located in Bayannur City, acquired by the Company, passed rigorous audits by SCS Global Service, a global authoritative recycled content certification organization, and obtained the 100% pre-consumer recycled content certification for neodymium oxide, dysprosium oxide, terbium oxide, cerium oxide, and gadolinium oxide.



Yinhai obtains SCS Recycled System Certification

In 2023,

the Company used

**1,848** tonnes of recycled rare earth raw materials  
(including waste magnetic steel recycling)

accounting for

**29.39%** of the annual use of rare earth raw materials

<sup>9</sup> The full name of Yinhai Company is Bayannur Yinhai New Materials Co., LTD.



Contributing to these SDGs correspondingly



## Deepening Environmental Management Showing Ecological Landscape

The Company strives to build a resource-conserving and environmental-friendly enterprise, firmly committed to the path of green development and sustainable development. Under the “green philosophy framework”, the Company has made significant progress in green production and green living. This year, the Company made continuous efforts to optimize resource utilization, actively build green factories, protect biodiversity, strengthen waste gas, wastewater, and solid waste management, effectively integrating green concepts into production, operations, employee work, and lives and promoting green development with concrete actions.



# Advancing Green Production

The Company continues to strengthen green production and encourages to promote energy efficiency through improving energy-saving processes and building green factories. Furthermore, the Company is committed to biodiversity conservation to comprehensively promote green development and jointly build an ecological civilization.

## Optimizing Resource Utilization

The Company has formulated and optimized the *Regulations on Energy Consumption Management*, which clarifies the organizational structure and responsibilities for energy management, standardizes the management and statistics for the consumption of water<sup>10</sup>, electricity, gas, and other energy resources. We also conduct energy-saving performance assessments, establish consumption records, monitor real-time energy consumption and regularly review and improve the implementation of green production.

To integrate energy conservation and environmental protection into the production chain, the Company had upgraded technological processes to further reduce resource and energy consumption, including:

### Technological Innovation

The Company continues to invest in low-carbon innovative technologies and actively develops low-carbon sintering processes, which shortens the sintering cycle by 15%, increases furnace capacity by 20%, saves 1.25 kWh of electricity per kilogram of material, and reduces carbon emissions by 0.73 kilograms per kilogram of product.

### Heat Recovery

The Company focuses on energy reuse, recovering waste heat from air compressors through heat exchangers for heating in related processes to reduce electricity consumption during heating processes, saving energy by 16,180 kWh for the year.

### Gas Supply Optimization

The Company steadily implements energy-saving technical reforms by optimizing pipeline layouts and replacing existing screw compressors with new centrifugal compressors. In 2023, the Company reduced comprehensive gas consumption by 5.89% compared to the previous year.

### Water Conservation Action

Upholding water conservation principles, the Company implements the RO<sup>11</sup> Concentrated Water Reuse Project for pure water machines, which collects RO concentrated water generated by pure water machines for greening and domestic water use in the Company's park. In 2023, the Company saved 15,544 cubic meters of water resources.

During the year,

the Company implemented a total of

**47** measures to improve energy consumption

After optimizing energy utilization, processes and facilities, the Company saved electricity

**11.07** million kWh

invested RMB

**12.93** million in environmental protection

saved energy and resource consumption

**13.30** million kWh

<sup>10</sup> The Company uses water from the local municipal water supply system. The Company does not have any problems in obtaining applicable water sources.

<sup>11</sup> RO (Reverse Osmosis) is a water treatment technology that uses osmotic pressure difference for membrane separation filtration. RO concentrated water is high-salinity wastewater generated during the RO desalination process.

## Company Energy and Resource Consumption

Indicators	Unit	Year of 2023	Year of 2022	Year of 2021
Total energy consumption	MWh	303,609	199,940	181,069
Energy consumption per RMB 1,000 of revenue	MWh/RMB'000 of revenue	0.04	0.03	0.04
Water consumption	tonne	1,008,951	785,400	732,345
Water consumption per RMB 1,000 of revenue	tonne/RMB'000 of revenue	0.15	0.11	0.19

## Building Green Factory

The construction of sponge cities<sup>12</sup> represents an important part of the green growth strategy in China. Promoting the construction of sponge cities is conducive to increasing the climate resilience. This year, the Company actively responded to the national plan on the construction of sponge city. According to the *Ningbo Urban Planning & Design Guideline for Sponge City*, which requires that the total annual runoff control rate of Ningbo factories shall be no less than 55%. The Company, while ensuring the product functions and quality, shall take the environmental impact and resource efficiency into full consideration, and collaboratively promote the construction of sponge factories in Ningbo, keeping in step with the green development of the city.

**In terms of rainwater recycling**, the Ningbo factory has actively conducted assessments of soil and water conservation and environmental impact, gained approval from the relevant authorities for the design and installation of a rainwater collection and reuse system in the factory. The system embraces a general design philosophy of “grey-green connection”, which means connecting the system with the traditional stormwater pipe network and with rivers and lakes to build flexible rainwater infrastructure. For rooftop rainwater, the factory gives priority to the technique of “downspout disconnection” in areas with greater greening efforts, to disconnect the downspouts and redirect the rooftop rainwater to bioretention facilities such as rain gardens and ecological ditches for further absorption and purification. The extra rainwater is directed to the stormwater pipe network. For the rainwater in large hardened areas including driveways and squares, the factory diverts the surface runoff to the rain gardens, sunken green spaces and other sponge facilities for purification before it is used for greening and road irrigation. With these efforts, we strive to achieve the recycling of rainwater resources.

**In terms of building green rooftops**, the Ningbo factory makes full use of its rooftop space by conducting rooftop greening, laying photovoltaic panels and many other approaches to achieve efficient resource recycling and energy utilization. The total green area of the Ningbo factory is 20,000 square meters, with rooftop greening covering an area of 2,384 square meters. Green roofs are designed to alleviate rooftop rainwater overflow and are an integral part of sponge factory construction. The total building area of the Ningbo factory is 220,000 square meters, while photovoltaic panels, with an estimated installed capacity of 2.4 MW in total, cover 15,000 square meters, accounting for 6.82% of the total area.



Rooftop Greening in Ningbo Factory

**In terms of energy conservation in daily life**, to reduce carbon emissions by the selection of building materials and infrastructure, the dormitory buildings walls of the Ningbo factory are construed with energy-saving aerated concrete blocks and thermal mortar, the windows and doors are installed with energy-saving thermal insulated coated glass with broken bridge. Additionally, centralized air-source water heaters are adopted in employee dormitories to effectively reduce energy consumption.

<sup>12</sup> Sponge city is a new concept in urban stormwater management, where cities absorb, store, infiltrate and purify rainwater like a sponge and, if necessary, release the stored rainwater for reuse, realizing the recycling of rainwater in the city.



## Protecting Biodiversity

The Company is deeply aware of the importance of biodiversity to the Earth's ecological balance and recognizes our responsibility to contribute to the protection of the Earth's ecological environment. The Company strictly complies with national and regional laws and regulations during the production process and takes multiple measures such as assessing biodiversity risks, advancing scientific research on biodiversity, rigorously implementing forest conservation measures, and conducting biodiversity promotion and education to ensure the protection, maintenance, and restoration of biodiversity.

This year, the Company established and implemented the *Biodiversity Protection Commitment*, and developed risk assessment procedures such as the *Management Procedures of Identifying and Assessing Internal and External Environmental Issues* and the *Management Procedures of Stakeholders Environmental and Occupational Health and Safety*. These procedures specified the Company's responsibilities, processes, and requirements for biodiversity conservation during project development and construction, covering biodiversity risk identification, the assessment and monitoring of the impact, compensation measures, and other aspects. We also actively cooperated in on-site environmental law enforcement inspections and supervision. Furthermore, the Company enhanced scientific research on biodiversity to better understand functions of the ecosystem and the value of biological resources, thus providing scientific basis for effective protection and sustainable utilization of biodiversity.

Moreover, the Company strictly adheres to the laws and regulations related to forest protection to ensure that our operations do not directly or indirectly lead to deforestation. We implement a stringent sustainable procurement policy to ensure that all purchased raw materials do not come from illegal logging or forest destruction. Additionally, the Company continuously strengthens the management of the supply chain, ensures that all partners stick to the commitments to prohibit deforestation, and encourages them to take similar measures.

To cultivate employees' awareness of biodiversity conservation, the Company conducts extensive biodiversity publicity and education, laying the foundation for biodiversity conservation efforts and striving to build an image of a "resource-conserving and environment-friendly" enterprise.



# Strengthening the Management of Three Types of Wastes

The Company strictly complies with the laws and regulations such as the *Environmental Impact Assessment Law of the People's Republic of China*, the *Regulations on Environmental Protection Management of Construction Projects*, and the *Interim Measures for Environmental Protection Acceptance of Construction Project Completion*. According to the requirements of ISO 14001: 2015 environmental management system, the Company has improved the *Solid Waste Management System*, and the *Emission Permit Management System* and other systems, covering various aspects of the Company's operations and supply chain. These systems have specified production management, product distribution and logistics, waste management, and supply chain management, aiming to reduce the Company's operational impact on the surrounding environment. This year, the Company was not fined for violating related environmental laws and regulations and was not involved in any forced enforcement or punishment.

## Waste Gas Management

The waste gas produced by the Company through production process are mainly sulfur dioxide, nitrogen oxides, volatile organic compounds (VOC) and particulate matter. The Company ensures that the production emissions can 100% meet the standard by strictly enforcing systems and control procedures related to waste gas management, increasing investment in environmental protection equipment, and standardizing the waste gas treatment process for each production stage.

**In terms of waste gas monitoring**, the Company has formulated an air pollutant monitoring plan and entrusted qualified institutions to regularly monitor the pollutants in the air. According to the national requirements of self-monitoring on pollutant discharge, to monitor fugitive emissions (particulate matter, sulfur dioxide, nitrogen oxides, non-methane hydrocarbons), the Company has set up 1 monitoring point in the upwind direction of the factory boundary and 3 monitoring points in the downwind direction, with the monitoring frequency of once a year. In the monitoring of controlled emissions (particulate matter, sulfur dioxide, nitrogen oxides, smoke opacity, hydrogen chloride, non-methane hydrocarbons), the Company has set up monitoring points at the outlets of the exhaust pipes for regular monitoring.

**In terms of waste gas treatment**, the Company has put into service 2 sets of organic waste gas treatment facilities and 6 sets of smelting and sintering facilities for waste gas treatment, achieving a reduction of 17.40 tonnes per year in volatile organic compound emissions compared with the permitted emission level. In 2023, the emission indicators of particulate matter, nitrogen oxides, sulfur dioxide, non-methane hydrocarbons, sulfuric acid mist, and other pollutants generated during the production process, as well as the concentration of fugitive emission within the factory boundary all met the relevant standards and requirements.





## Wastewater Management

The wastewater discharged from the production process of the Company is collected, treated and recycled by our own wastewater treatment facility, with a treatment rate of 100%. To strengthen water resources management, the Company has used classification collection and pre-treatment to reduce the wastewater, and actively promoted wastewater recycling and reuse, to achieve the recycling of wastewater.

**For wastewater monitoring**, the Company attaches great importance to the wastewater discharge and actively monitors the quality of wastewater in each wastewater generation process. For industrial wastewater generated during the production process, the Company conducts rigorous tests to the pollutants such as COD (Chemical Oxygen Demand), suspended solids, and ammonia nitrogen to ensure that the wastewater meets the discharge standards. Additionally, the Company has entrusted third-party organizations to test the wastewater every six months, with all test results meeting the standards.

**For wastewater treatment and recycling**, the production wastewater will not be discharged until it is treated in the factory's sewage treatment facilities and meets the discharge standards. This year, around RMB 18.71 million was invested to renovate the wastewater treatment system. Sedimentation tanks were added in each machine processing line, allowing further reuse of wastewater after sedimentation treatment. The Company's headquarters in Ganzhou uses the concentrated water from the water purification machines for production line cleaning, reagent preparation, greening, and domestic water use, saving a total volume of 23,000 cubic meters of wastewater for reuse.

### Wastewater treatment

Indicators	Unit	Year of 2023	Year of 2022	Year of 2021
Total volume of wastewater treated	ten thousand tonnes	34.56	35.52	24.93
Volume of wastewater treated per RMB 1,000 of revenue	tonne/RMB'000 of revenue	0.05	0.05	0.06

## Waste Management

The waste generated in the production process can be mainly divided into hazardous waste and non-hazardous waste. Hazardous waste mainly includes activated carbon, organic solvents, wasted oil, spraying wasted liquid, wasted glue and resin, packaging materials, and wastewater treatment sludge. Non-hazardous waste mainly includes general industrial solid waste<sup>13</sup>, domestic waste and kitchen waste.

### Hazardous Waste

The Company has established a sound hazardous waste management system. With reference to the laws and regulations including the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Measures for Management of Joint Transfer Bills for Hazardous Waste*, the *Standard for Pollution Control on Hazardous Waste Storage*, and the *Measures for the Administration of Permit for the Operation of Dangerous Wastes*, we have formulated the *Declaration of Non-Intentional Use of Substances*, committing to reducing the use of harmful substances such as arsenic compounds and beryllium compounds during the production process and constructing hazardous waste storage facilities that comply with national requirements.

This year, the Company has upgraded the "temporary storage room for hazardous waste" by installing new automatic sprinkler system, electrostatic discharge devices and other protective facilities to ensure the proper storage of hazardous waste. In addition, to strengthen the management of hazardous waste, the Company has arranged special personnel to properly record the information about the storage and transfer of hazardous waste, and signed transfer contracts with organizations with professional recycling qualifications. The Company has conducted phased analysis and repeated tests for raw materials, production processes, facilities and equipment, warehousing and transportation, pollution prevention and control, and emergency response at different stages. Hazardous waste was included in the management plan of the Company, and standardized ledgers were established to accurately record information about the generation, storage, utilization, and treatment of hazardous waste. These efforts further enhanced the level of hazardous waste management. This year, the Company arranged 2 emergency drills for hazardous waste leakage incidents, which enhanced employees' emergency response and handling capabilities.

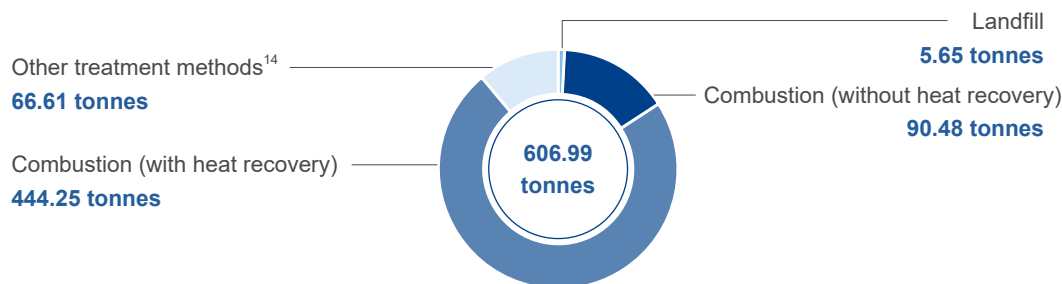
<sup>13</sup> General industrial solid waste mainly includes magnetic mud, waste iron, waste plastics, waste powder, wood and recycled materials produced in the production process.



## Hazardous waste classification and treatment

Indicators	Unit	Year of 2023	Year of 2022	Year of 2021
Total volume of hazardous waste treated	tonne	606.99	463.27	407.00
Hazardous waste treatment per RMB 1,000 of revenue	kg/RMB'000 of revenue	0.09	0.06	0.10

Volume of hazardous waste treated by treatment method in 2023:



## Non-hazardous Waste

The Company has classified and managed non-hazardous waste and set up corresponding disposal measures based on different categories. This year, the Company continued to advance the process of resource recycling in the production and operation with the aim to build a comprehensive management system for the utilization of general solid waste and achieve the legal, compliant and green recycling of solid waste with maximum profits.



### Recognition and Appraisal

According to the Company's *Application Form for Sale of Waste Materials*, each department specifies the reusable or renewable wastes generated from production and operation. Such wastes are then categorized and stored in the warehouse for further identification and appraisal from the relevant departments.



### Recycling and Processing

The Company prioritizes suppliers of raw materials or packaging materials with recycling qualification to collect and treat the reusable and renewable resources such as raw materials, products, and packaging materials. Waste packaging materials in the production area, such as cardboard, scaleboard, pallets, and wooden boards, are processed and then classified by relevant departments and stored in the warehouse for recycling.



### Statistics and Analysis

The Company conducts an annual tally of the total amount of recyclable waste and sets recycling targets for the second half of the year or the following year. This year, the total amount of non-hazardous waste disposed of by the Company was 18,517.71 tonnes, with the recycling percentage of general industrial solid waste reaching about 99%.

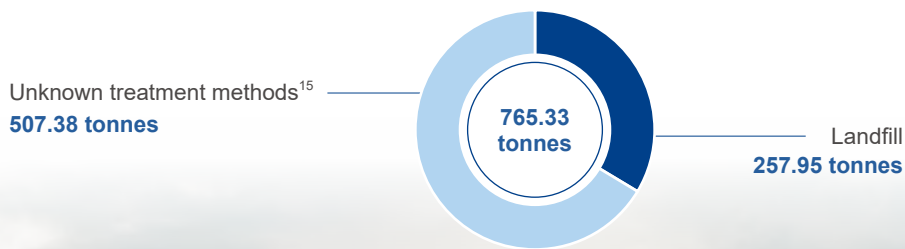
<sup>14</sup> The treatment for this portion of waste was in compliance with laws and regulations but has not acquired the follow-up treatment from a qualified third-party company.

With the rising global demands for rare earth permanent magnet materials, and the increasing amount of waste magnetic steel reaching the end of its life cycle at abroad, the recycling and reuse of waste magnetic steel are crucial for advancing the green and sustainable application of rare earth resources. The Company has developed a recycling industrial system for waste magnetic steel featuring the "recycling-dismantling-regeneration-remanufacturing" mode to recycle the rare earth waste.

Total volume of non-hazardous waste classification and treatment


Type	Unit	Disposal volume of 2023	Disposal volume of 2022
General industrial solid waste	tonne	17,752.38	14,380.00
Kitchen waste	tonne	507.38	284.00
Domestic waste	tonne	257.95	413.00
<b>Total</b>	tonne	<b>18,517.71</b>	<b>15,077.00</b>

Non-hazardous waste by treatment method in 2023



<sup>15</sup> This portion of waste is mainly kitchen waste and its treatment is in compliance with laws and regulations but has not acquired the follow-up treatment from a qualified third-party company.





Contributing to these SDGs correspondingly



## Stressing Quality Assurance Consolidating Product Advantages

Following the "green concept framework", the Company has built a green supply chain, aiming to enhance suppliers' awareness and ability to reduce carbon emissions and promote the sustainable development of the product supply chain by conducting supplier life cycle management, actively carrying out supplier ESG due diligence and ESG special training. Besides, in response to customer demands, the Company continuously improves product and service quality, drives R&D innovation, prioritizes product quality and enhances intelligent manufacturing. It also builds a reliable customer service system, strengthens information security management, and is committed to providing innovative and high-quality products and services for the society to achieve sustainable development.



# Focusing on R&D Innovation

With the vision of "growing into the leading enterprise in the world rare earth permanent magnet industry", the Company regards R&D innovation as the core driving force for sustainable development, continues to increase investment in science and technology innovations, and builds a team of scientific research and innovation talents. Meanwhile, we respect and protect intellectual property rights to stimulate innovation activity of the Company, thereby making breakthroughs in production and processing technologies, and driving high-quality development with science and technology innovations.

## Stimulating Innovation Enthusiasm

The Company attaches great importance to R&D innovation. To contribute to the Company's high-quality development, we continuously increase R&D investment, expand the R&D team and foster the application of R&D results. During the reporting period, we established a R&D team consisting of 880 R&D staff, with R&D investment reaching RMB 354 million, accounting for 5.29% of revenue.

To stimulate employees' innovation enthusiasm, the Company organizes the evaluation activity of "science and technology innovation awards" annually. We assess the participant projects based on creativity, economic benefits and quality improvement, and award employees with bonus. During the year, we evaluated 35 science and technology innovation awards covering materials, process, equipment, automation innovation and other areas, rewarded 290 persons, and distributed RMB 2.11 million as bonus in total.

## Scientific Research and Innovation Achievements

Rare earth is a non-renewable strategic resource and a key element for many functional materials in the field of high technologies. How to efficiently utilize resources and reduce the amount of medium and heavy rare earth has always been an important topic. For this purpose, the Company has taken its responsibilities and focused on innovation to handle the industry-leading GBD technology, and continuously used the technology to develop high-grade products, so as to significantly reduce the amount of medium and heavy rare earth while still maintaining the high performance of magnetic materials.

During the year, the Company produced 15,154 tonnes of high-performance REPM products in total, a year-on-year increase of 18.52%. Among them, 13,226 tonnes were produced utilizing the GBD technology (a year-on-year increase of 32.72%), accounting for 87.28% of the Company's total product output in the same period (a year-on-year increase of 9.34 percentage points). In 2023, the Company's sales volume of high-performance REPM products reached 15,122 tonnes, increasing by 25.60% year on year.

### Case

#### Special Project of Developing "Rare Earth New Materials" through Production-Study-Research Cooperation

In 2023, the Company, together with the National Institute of Metrology, China, China Jiliang University and other academic institutions, participated in the national key R&D plan of the special project "Rare Earth New Materials". The Company was mainly responsible for the subject of "Research on the Testing Technology in Key Processes of Quality Assurance in RPEM Production", aiming to improve the Company's pass rate and quality of products through technological innovation.



## Key R&D achievements for the year:



### Development and industrialization of high-performance REPM free of heavy rare earth

We have developed the grain boundary strengthening technology on non-diffusion products to increase their coercivity by over 10% without adding heavy rare earth. Thus, we have significantly reduced the amount of rare earth, and achieved zero input of high-grade heavy rare earth in the wind power field.



### Research on key technology and green preparation of high reliability magnetic steel and precision components

We have developed key technologies for high-reliability magnetic steel and precision components, using recyclable raw materials to produce green product with stronger coating adhesion and higher salt spray durability.



### R&D and application of GBD technology for high-coercivity sintered NdFeB magnet

We have developed highly efficient diffusion process to effectively enhance the performance of NdFeB magnet, reduce the amount of terbium and other scarce resources and lower manufacturing costs. In 2023, with this innovative technology, the terbium consumption of GBD during production was reduced by 23% year on year.



### Optimization and application of new sintering process

We have optimized the relevant sintering process to effectively shorten the sintering duration by 15%, saving 1.25 kWh electricity per kilogram of product, equivalent to reducing carbon emissions by 0.73 kg. In 2023, the Company adopted this process to produce 993 tonnes of products, equivalent to reducing carbon emissions by 724.89 tonnes.



### R&D and application of surface passivation process

We have developed the surface passivation process to lower consumption of chemicals such as alcohol and nitric acid in production, reducing 0.344 kg carbon dioxide emissions per kilogram of product. In 2023, the Company adopted this process to produce 1,905 tonnes of products, equivalent to reducing carbon emissions by 655.32 tonnes.

## Protection of Intelligent Properties

The Company follows the principle of "protecting our own and respect others' intellectual properties". We strictly abide by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and other laws and regulations. We have developed the *JL MAG Intellectual Property Management System* and the *China NdFeB Invention Patent Summary*, built the Intellectual Property Center, and set up the patent database of "rare earth permanent magnet technologies". By these means, we protect intellectual property rights in all aspects and prevent patent infringement risks, thereby enhancing our ability to protect intellectual properties globally.

The Company pays great attention to protecting self-owned intellectual properties. We have established sound confidentiality management rules and regulations for core technologies and important information. Besides, pursuant to policy requirements, we enter into written contracts with employees and business partners, requiring them to maintain strict confidentiality on our core technologies and important information. Meanwhile, we actively apply for patents so as to convert our scientific research achievements into intellectual properties in time for legal protection. Once an infringement is identified, we will take resolute measures to protect our legitimate rights and interests.

The Company strives to identify and prevent patent infringement risks. We assess risks of technological patent infringement in the industry in different countries and regions, to prevent our products and technologies from infringing on others' patents. Our Intellectual Property Technology Center regularly searches and arranges technological patents in the industry. Based on the infringement risk level, we classify patents into "normal", "alert" and "critical", and take targeted measures to avoid infringement risks. As of the end of 2023, we had conducted risk assessment for relevant patents in China, North America, Europe, Japan, South Korea, Southeast Asia and other countries and regions, so as to effectively strengthen our capability to protect intellectual properties worldwide.

To enhance employees' awareness of protecting intellectual property rights, the Company provides intellectual property training and evaluation twice a year, with courses covering the *Basic Knowledge of Intellectual Properties*, the *Training on the Basics of Enterprise Patent Exploration and Application Process*, the *Patent Basics and Patent Exploration*, the *Training on Patent Technical Explanation Letter*, and the *Overview of Patent System*. In 2023, the training coverage of the Company's technical staff, R&D personnel and IP-related business personnel reached 100%, and all trainees passed the evaluation.

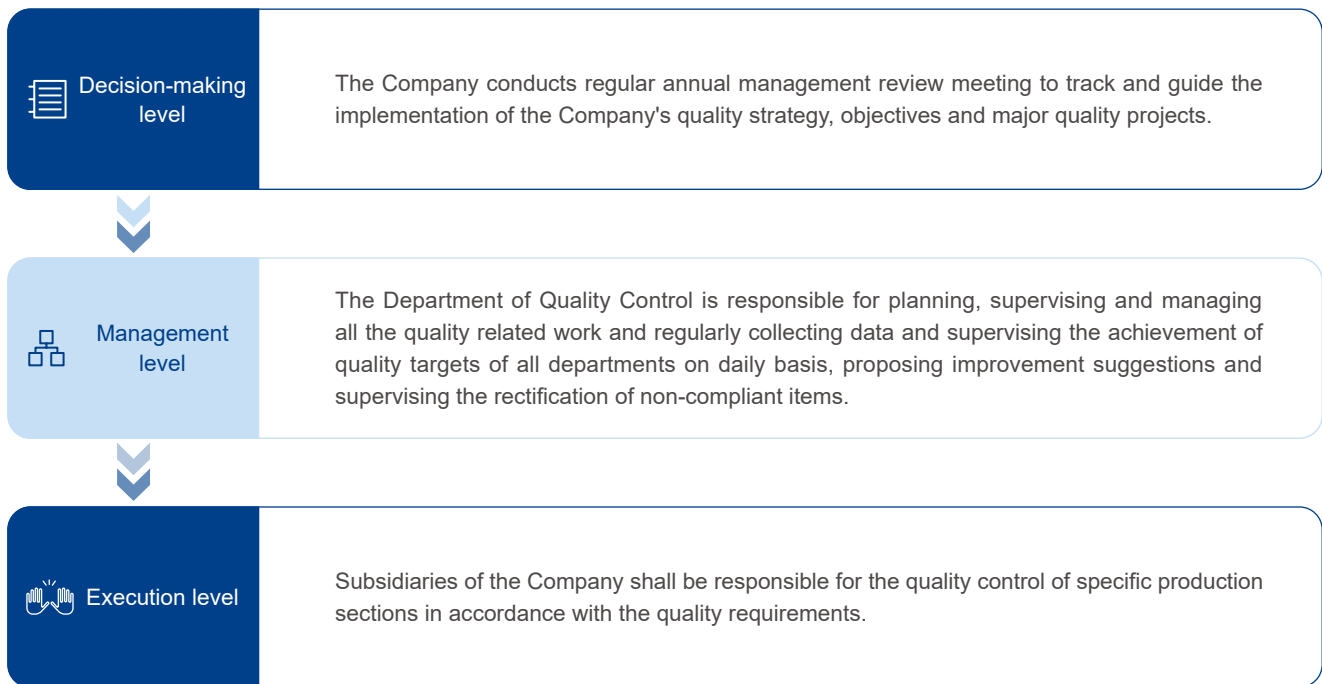
For the high-quality development of the Company, we actively apply for patents in new technologies. As of December 31st, 2023, in overseas regions such as Europe, the United States and Japan, the Company owned 115 invention patents and utility model patents that had been authorized or were under review.

# Strictly Controlling Product Quality

The Company strictly complies with the *Law on the Quality of Products of the People's Republic of China* and other laws and regulations, and adheres to the quality policy of "full control, full participation, constant improvement and customer satisfaction". We have also developed management policies including the *Production Process Monitoring and Quality Control Procedures*. In addition, we establish a quality management system covering the whole value chain, standardize whole-process quality management, and continually develop our quality culture. By taking these measures, we strictly control product quality and strive to achieve the overall goal of "optimizing the quality management system and developing the competitiveness of high-performance NdFeB products".

## Quality Management Structure

The Company strictly implements ISO 9001 quality management system and IATF 16949 quality management system for the automotive industry. We also build a quality management structure covering the decision-making level, management level and execution level, and define responsibilities of all levels to ensure the orderly progress of quality management. Besides, we set annual quality objectives, and regularly review and monitor the achievement of such objectives.





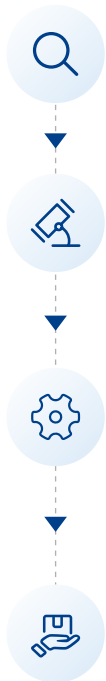
## Quality Management Process

The Company has developed and constantly improved a quality management process that covers the entire life cycle of products. We have summarized and formulated standardization documents including the *Blank Production* and the *Processing and Production* to clarify the quality requirements for production processes in terms of production parameters, transportation tools and production processes, and ensure compliance with the Company's quality requirements for all products. To establish a solid system for product quality assurance, we implement a multi-level product quality inspection mechanism covering first inspection, self-inspection, mutual inspection, special inspection, patrol inspection and shipment inspection to prevent defective products from entering the market. During the year, our product quality inspection has covered all product categories, with the process inspection timeliness rate and correction rate both reaching 100%.

To continuously monitor and enhance product quality, the Department of Quality Control develops the control chart<sup>16</sup> to manage product quality at key processes. We regularly inspect the defective products, and convene the production department, technology R&D department and other relevant departments to review and thoroughly analyze the causes of defective products, propose targeted solutions, issue analysis and processing reports, and take corresponding improvement measures.

During the year, no products sold or shipped by the Company were subject to recall due to safety and health issues.

### Product Full Life Cycle Quality Management Process



#### Raw material inspection

Raw materials are purchased and tested in accordance with the *Standardization of Raw Material Procurement* and the *Guideline of Sampling and Inspection* as well as other policies.

#### R&D and design

The R&D and design work shall be carried out according to the *Advance Planning Procedures for Product Quality* to summarize and evaluate the success rate of new product R&D. It is required that the success rate for new product R&D for strategic customer projects shall be higher than 99%.

#### Processing inspection

Production self-inspection and production control patrol inspection mechanism shall be carried out according to the *Production Process Monitoring and Measurement Control Procedures* to ensure the stable production process, and conduct product testing in strict accordance with national standards, industry standards or customers' standards.

#### Finished product delivery

After the products are delivered, the marketing department and quality assurance team shall perform the quality management during the use of the products.

<sup>16</sup> We measure, record, assess and monitor product quality during production. Once abnormalities are identified, we will take necessary correction and remediation measures to ensure consistent product quality.

# Deepening Intelligent Manufacturing

The Company sticks to the business philosophy of "leading technology, reliable quality, on-time delivery, management (service) upgrade, capital support and leapfrog development". We strengthen intelligent and digital construction, develop lean talents, and enhance the core competitiveness of the Company based on high-quality product supply and strong product delivery capabilities.

The Company optimizes the production process with the support of lean management. We also utilize information and digital tools to improve productivity and quality, and achieve a higher level of production intelligence.

In 2023,

The Company output refined projects

**6,787**

Average delivery time of products shortened than previous year

**1** day

Turnaround days of products shortened than previous year

**10.9** days

**Digitization capacity building:** The Company actively builds a digital system of production, supply and marketing cooperation and sharing, and carries out the construction of information system in R&D, sales, planning, procurement, production, quality, inventory, HR, smart park and other links. We continue to enhance digital management to contribute to the Company's sustainable development. Since 2021, the Company has invested RMB 26.09 million in informatization and digitalization construction, of which RMB 9.53 million was invested in 2023.

- The Company practices the concept of environment-friendly office. We reduce resource consumption and waste during operation by establishing a digital office system to effectively reduce the use of paper and other resources.
- The Company continuously improves work efficiency to reduce employees' workload. By increasing the application of collaborative business scenarios among the JLQS, HR and OA platform, we normalize and standardize the business management process, and achieve management effects such as inter-organizational business collaboration, automation of business data collection, and integration of cost accounting.
- The Company enhances internal management. We specify management standards by optimizing the business process of ERP system. We expand the application of MES terminals to realize equipment Internet of Things, and utilize digital technology to visualize business data, thereby effectively improving management process transparency. We also strengthen risk identification, management and internal control.

**Intelligent manufacturing:** Automation equipment R&D and application is one of the core competitiveness of the Company. The Company applies automated equipment to provide better working conditions for employees, and prevent potential harm to their health during production. In the meantime, we reduce the discharge of hazardous substances and energy consumption, aiming to significantly lower the environmental impact while improving energy efficiency. According to the requirements for product and production processes, we are gradually setting up the trinity production system of "automation, digitalization and intelligence". Through technological innovation, we are committed to advancing the transformation and upgrading of production process, and creating more environmental and social benefits.

## Production System of "Automation, Digitalization and Intelligence"



Automation

- Independent design and manufacturing of customized equipment for the entire production line;
- Integrated application of machine vision and robotics; and
- Independent research and development of precision equipment and specialized devices.



Digitalization

- Establishment of a production information system that implements materials barcoding throughout the process, enabling real-time access to production data, reducing management coordination and enhancing management efficiency.



Intelligence

- Application of Internet of Things technology to monitor the operational efficiency of production equipment; and
- Coordination with the production workshop to control AGV for materials distribution, realizing intelligent manufacturing.

By the end of the reporting period, the Company has established an automation construction team composed of 274 engineers and technicians, significantly elevating the level of production automation. This year, the Company invested a total of RMB 52.87 million in building the automation system, independently developed 441 pieces of new automated equipment and upgraded 91 pieces of existing automated equipment, increasing the production efficiency per capita by 11.73%, which greatly improved the production efficiency.

Since 2021,

the Company has invested RMB

**26.09** million in informatization

and digitalization construction

This year,

the Company invested a total of RMB

**52.87** million in building the

automation system

independently developed

**441** pieces of new automated

equipment

Case

**Intelligent Equipment Facilitates Reduction in Production Energy Consumption**

The Company has transitioned to automated production by introducing intelligent equipment such as the multi-station adhesive machine and through-feed drying machine. This transformation notably reduced the need for employee engagement in the production process, thereby improving production efficiency while ensuring the health and safety of the workforce. This year, each through-feed drying machine achieved a 70% decrease in energy consumption through improved drying efficiency.

Case

**Intelligent Processes Reduce Carbon Emissions**

The Company attaches great importance to the environmental impact of chemicals and actively promotes the adoption of efficient and eco-friendly surface passivation technologies to replace traditional phosphating processes. This approach has reduced the consumption of chemicals such as alcohol, nitric acid and phosphating solution in the production, leading to a reduction in carbon emissions. This year, the surface passivation technology enabled the Company to decrease 0.344 kilograms of carbon dioxide emissions per kilogram of product.





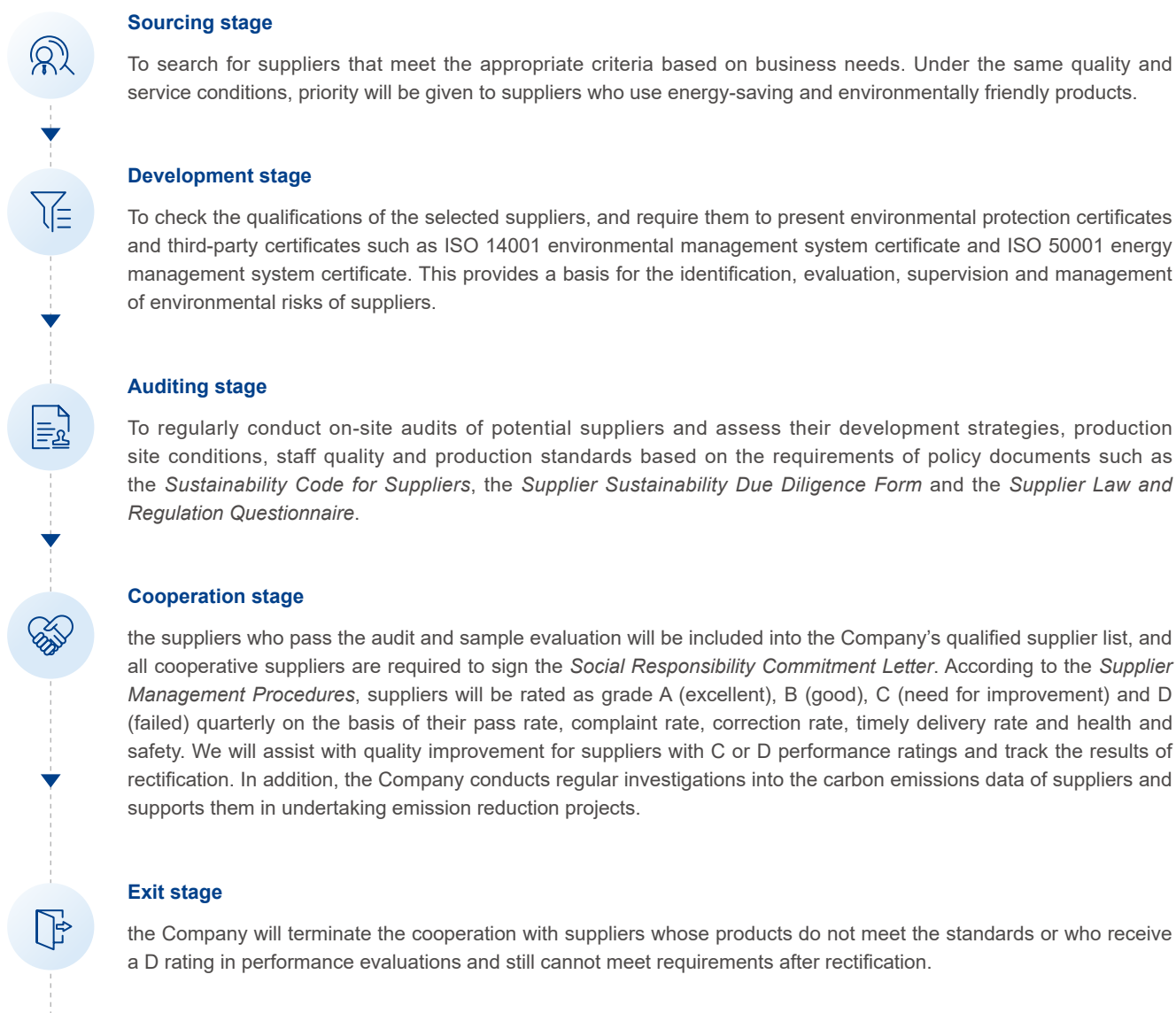
# Responsible Supply Chain

The Company actively integrates the “green philosophy framework” into the entire supply chain management process. The Company has established the regulations such as the *Supplier Management Procedures*, the *Procurement Management Control Procedures* and the *Code of Conduct for Sustainable Supplier Development* covering all suppliers. We require all plants to strictly adhere to these regulations to standardize supply chain management. This year, the Company updated the *Supplier Management Procedures*, introducing additional requirements and recommendations for supplier management system certification, performance evaluations, and supervisory audits. These updates aim to optimize and enhance the overall supplier management process.

## Supplier Lifecycle Management

The Company incorporates ESG management requirements for labor, health and safety, environmental protection, business ethics and management systems into supplier lifecycle management. We have set up a supply chain management department and a quality improvement team to clarify ESG-related requirements in supplier sourcing, development, auditing and cooperation. This aims to identify, assess and manage environmental and social risks in all parts of the supply chain.

### Lifecycle Management of Suppliers



By the end of 2023,



the number of the  
Company's suppliers<sup>17</sup>

**1,412**

This year, the relevant data of the Company's suppliers and the pass rate of raw materials batches are as follows:

Indicator	Unit	Year of 2023
<b>Number of suppliers by region</b>		
Number of suppliers in East China	-	814
Number of suppliers in West China	-	22
Number of suppliers in North China	-	316
Number of suppliers in South China	-	227
Number of suppliers in Central China	-	33
Number of suppliers in foreign countries and regions	-	0
Percentage of local suppliers <sup>18</sup>	%	40.50
Percentage of timely procurement delivery	%	98.20
Pass rate for rare earth raw materials	%	97.24
Pass rate for other raw materials	%	99.92
Investment amount of local procurement of products and services from other raw materials suppliers	RMB million	160
Investment percentage of local procurement of products and services from other raw materials suppliers	%	36.70

<sup>17</sup> The "number of suppliers" refers to the total number of suppliers in the Company's supplier management system as of December 31, 2023.

<sup>18</sup> The local suppliers refer to the suppliers in Jiangxi province, Zhejiang province, and Inner Mongolia Autonomous Region in 2023.

## Supplier ESG Due Diligence

The Company has formulated the *Code of Conduct for Sustainable Supplier Development* based on the Responsible Business Alliance (RBA) Code of Conduct<sup>19</sup>. This code outlines management requirements for suppliers in the five key areas: environmental protection, labor, health and safety, business ethics and management systems. It also acts as the standard for conducting sustainability due diligence on suppliers.

### Management Requirements of the *Code of Conduct for Sustainable Supplier Development*

 <p>Environmental Protection</p>	<p>Suppliers are required to develop plans and initiatives to reduce their negative impact on the environment. This involves pollution prevention, resource conservation, waste management, water management and reduction in energy consumption and greenhouse gas emissions.</p>
 <p>Labor</p>	<p>Suppliers are required to implement measures to safeguard the legitimate rights and interests of employees within their supply chain. This involves respecting freedom of association, prohibiting child and forced labor, preventing discrimination and harassment, regulating work hours and ensuring fair wages and benefits for employees.</p>
 <p>Health and Safety</p>	<p>Suppliers are required to take measures related to occupational health and safety and create clean and healthy workplaces for employees. This involves establishing clear safety management processes, emergency planning, regulating occupational injury management, controlling hazardous materials and optimizing work environments.</p>
 <p>Business Ethics</p>	<p>Clear guidelines are outlined for suppliers to uphold business ethics and comply with regulations. This involves requirements around business integrity, anti-corruption, conflict of interest, regular information disclosure, intellectual property rights, fair competition, whistleblower protection, responsible mineral sourcing and privacy protection.</p>
 <p>Management Systems</p>	<p>Suppliers are required to establish and implement ESG management systems and procedures based on the aspects mentioned above. This involves defining roles and responsibilities, conducting regular risk assessment and management, and enhancing overall ESG management awareness through training and other initiatives.</p>

The Company conducts due diligence investigations on suppliers based on the requirements of five key management modules. Through quarterly online assessments, annual on-site audits and other methods, a thorough evaluation of supplier sustainability performance is regularly conducted. The process entails establishing assessment and audit standards, conducting supply chain due diligence, categorizing investigation findings, analyzing significant violations and applying the findings to ensure the stability and sustainability of the supply chain.

Establishing assessment and audit standards	Conducting supplier due diligence	Categorizing investigation findings	Analyzing significant violations	Applying investigation findings
<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Labor</li> <li>Health and safety</li> <li>Business ethics</li> <li>Management systems</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly assessment</li> <li>Annual on-site audit</li> </ul>	<ul style="list-style-type: none"> <li>Highly excellent</li> <li>Excellent</li> <li>Average</li> </ul>	<ul style="list-style-type: none"> <li>Appointment of responsible individuals</li> <li>Development of short-term and long-term solutions</li> <li>Mandating suppliers for timely correction</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of supplier qualifications</li> <li>Allocation of procurement quotas</li> <li>Continuous improvement of supplier performance</li> </ul>

### Sustainability Due Diligence Process

<sup>19</sup> The code of conduct aims to establish standards to ensure a safe working environment in the electronics industry or industries reliant on electronic products and their supply chains. It also strives to uphold the respect and dignity of employees and ensure that business operations adhere to environmental and ethical standards.



To systematically evaluate suppliers' comprehensive performance in sustainable development and ensure the accuracy and comprehensiveness of audits, the Company has developed the *Supplier Sustainability Due Diligence Form*. This form establishes clear audit criteria for the five modules specified in the *Code of Conduct for Sustainable Supplier Development*, namely environmental protection, labor, health and safety, business ethics and management systems, assigning different weights to each module and detailing 43 specific indicators. The Company issues due diligence reports on suppliers' sustainability based on their performance. These reports include scores for each indicator, descriptions of potential risks, analysis of violations, overall evaluation and radar charts of suppliers' comprehensive capability evaluation. This visualization provides a clear display of each supplier's comprehensive performance in sustainable development, helping the Company quickly identify the strengths and weaknesses of suppliers in this area.

Based on the evaluation results, the Company categorizes suppliers into three levels: "highly excellent", "excellent" and "average". Using these levels, the Company adjusts and optimizes the evaluation of supplier qualifications, allocation of procurement quota and ongoing improvement efforts for the upcoming period.

For suppliers engaging in severe violations such as employing child labor, falsifying records, bribing auditors or having significant environmental and safety issues, the Company will implement stricter control measures. After the audit, the Company conducts a detailed analysis of severe violations, and formulates targeted short-term and long-term solutions. These measures include correcting errors, standardizing documentation, establishing oversight mechanisms, enhancing risk prevention measures and appointing responsible individuals to oversee suppliers' correction progress. If non-compliant suppliers fail to make timely corrections, the Company will reduce cooperation with them. In cases where a supplier has two consecutive serious violations, the Company will terminate the cooperation.

This year,

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the Company has completed sustainability due diligence assessments for

**208** suppliers

**100%** of which passed the evaluation

## Supplier ESG Awareness Enhancement

The Company emphasizes cultivating supplier awareness in ESG management by regularly conducting training sessions on the *Code of Conduct for Sustainable Supplier Development*. This aims to effectively standardize ESG management practices across the supply chain. During the reporting period, the average training hours for supplier management personnel was 2 hours. The Company also conducts specialized training in quality management. This year, the Company organized 9 supplier quality management training sessions, covering 8D quality analysis reports and production process quality control. We aimed to help suppliers gain a deeper understanding of our quality management culture and further enhanced their quality exception analysis and management improvement capabilities.

The Company advocates for suppliers to sign the *Code of Conduct for Sustainable Supplier Development*. As of the end of the reporting period, the signing percentage of all suppliers engaged in business with the Company reached 100%.



Training on the *Code of Conduct for Sustainable Supplier Development*

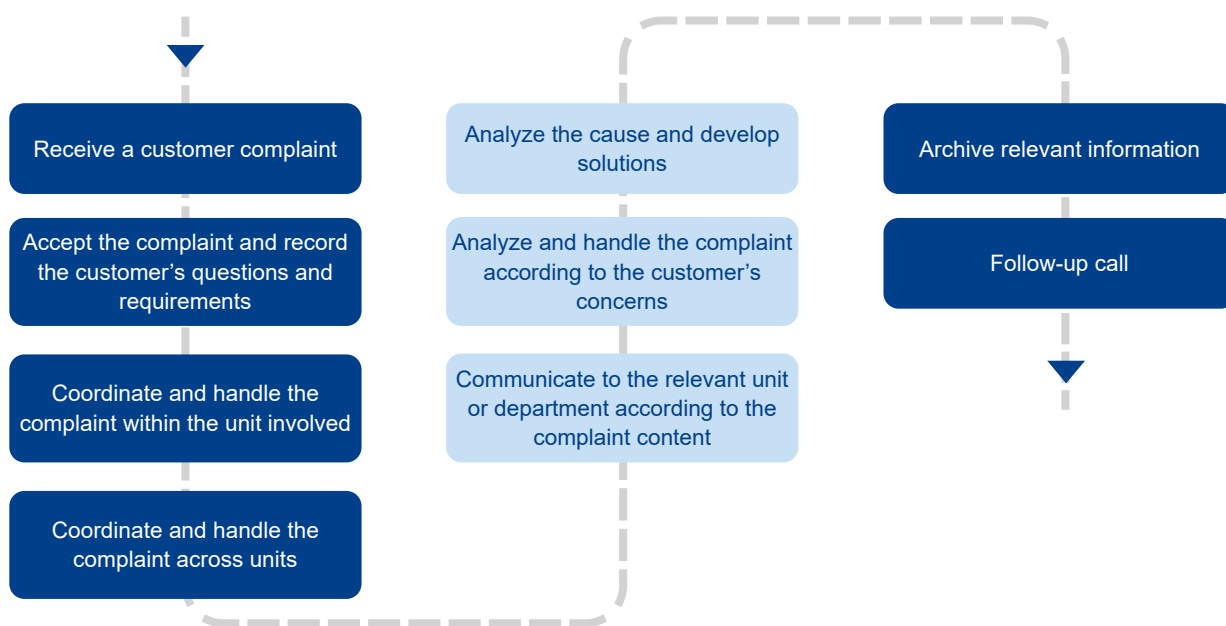
# Optimizing Customer Services

The Company is committed to providing customers with a premium service experience. We have implemented management policies such as the *Customer Service Practice* to regulate customer service management, optimize service processes and continuously improve service quality. This year, the Company listened attentively to customer feedback, ensured customer information security in all aspects and consistently enhanced customer satisfaction. We have established “long-term, stable, cooperative and win-win” business partnership with our customers to achieve sustainable development.

## Listening to the Voice of Customer

Adhering to the service principle of “meeting the best satisfaction of our customers”, the Company has established relevant policies such as the *Customer Feedback Management Procedures* and the *Corrective and Preventive Measures Control Procedures* to continuously refine the customer complaint handling mechanism. Regular customer satisfaction surveys are conducted to promptly address customer opinions and suggestions.

The Company provides efficient and diverse channels for customers to provide feedback and suggestions, including the official website, hotline, WeChat official account, emails and letters. To ensure timely and effective resolution of customer complaints, the Company has established a comprehensive complaint handling process. For complaints with significant impact, the Company sets up a leading group for complaint resolution within 8 hours after receiving the complaint, and organizes relevant departments to discuss the causes, countermeasures and improvement measures together. This ensures that the complaints can be completely addressed. This year, the Company received a total of 13 customer complaints, achieving a 100% resolution rate.



Customer Complaint Handling Process

The Company conducts regular customer satisfaction surveys, and releases satisfaction survey to customers every six months to learn about customer’s satisfaction on product quality, R&D capability, timely complaint response rate, customer service and other aspects. This year, the Company conducted satisfaction surveys targeting over 40% of strategic, significant and general customers, resulting in a customer satisfaction score of 98. Additionally, the Company regularly analyzes and sorts out the customer satisfaction survey results and puts out a *Customer Satisfaction Evaluation Summary*, and passes the customer needs to the quality, production, R&D and other relevant departments. Based on the analysis, the Company optimizes product development, service quality and marketing decisions to ensure that products and services consistently meet customer needs and expectations.

Customer satisfaction score

**98** points

Customer complaint resolution rate

**100%**

On-time delivery rate

**99.7%**



## Information Security

The Company is highly concerned about information security and has established management policies such as the *Project Information Security Management System* and the *Project Management Procedures*. We have implemented a three-tier information security management structure consisting of the department of quality control, information center and information security team to maintain stringent control processes. The Company divides the confidentiality into four levels according to the sensitivity and importance of project information security. Major projects are strictly controlled in accordance with the confidentiality management rules and regulations stipulated by the Company to ensure customer information security.

In accordance with security management requirements specified in standards such as ISO/IEC 27001:2013, the Company continuously strengthens and enhances the network information security protection system. Multiple protective measures are in place to regularly identify, monitor and assess network information security risks. This effectively prevents data leakage risks, defines security incident response and handling procedures and ensures the data security. This year, the Company underwent the Trusted Information Security Assessment Exchange (TISAX) assessment and obtained the TISAX certification, which marks that JL MAG's information security management system has been recognized by the automotive industry enterprises and supply chains, meeting the European automotive industry's information security management needs for its key suppliers, and is at the world's advanced level in the field of information security protection.

### Risk prevention and control

- Inspect operating systems, databases, common application services, web applications and network devices to identify potential risks periodically
- Strengthen the implementation of security measures to improve overall security preparedness. This includes devising password security protocols, supervising high-risk ports, and conducting routine attack and defense drills
- Encourage employees to report any suspicious activities or potential security concerns

### Physical security measures

- Adopt fire prevention measures, ensure redundant power supply and apply uninterruptible power supply
- Enforce rigorous authorization and approval procedures for access to the server room



### Cybersecurity management

- Formulate security management procedures for network devices to strengthen network device management
- Optimize user access control procedures and manage user access to network resources via rigorous authentication and regulatory mechanisms

### System security and maintenance

- Initiate routine inspection processes for network devices and system platforms automatically. Upon detection of anomalies, promptly set in motion corrective and maintenance procedures
- Engage external security vendors for vulnerability scans and industry experts for technical exchanges to continuously refine security strategies

### Emergency response mechanism

- Develop emergency response plans such as the *Network Outage Emergency Response Plan* and the *Email and Virus Emergency Response Plan* to ensure rapid and accurate response in case of emergencies

### Patch management and software protection

- Develop patch management protocols and optimize anti-virus software and firewall configurations to effectively prevent unauthorised access by external users and safeguard the security of the internal network infrastructure



Contributing to these SDGs correspondingly



## Compacting Safety Responsibilities Building Safety Barriers

Safety is the lifeline of a company. The Company continuously improves our safety management system and structure and establishes a sound risk identification and response mechanism. We also organize training on safety production and occupational health to build a healthy and safe workplace for our employees and contractors, minimizing the occupational health and safety risks that they may face.

# Improving the Management System

The Company keeps optimizing the safety management system, strictly observes and formulates safety-related regulations and systems and establishes a safety production management structure to clarify everyone's responsibilities. During the year, the Company has invested approximately RMB 11.96 million in health and safety, a year-on-year increase of 32.22%. The number of work-related fatalities and number of major or above production safety accidents<sup>20</sup> were 0.

During the year,

The Company has invested approximately RMB

**11.96** million in health and safety

Year-on-year increase

**32.22%**

The number of work-related fatalities

**0**

The number of major or above production safety accidents

**0**

During the year, the Company revised the *Management System for the Withdrawal and Use of Safe Production Expenses*, the *Production Safety Reward and Punishment Management System*, the *Measures for Part-time Safety Management Staff*, the *Safety Management System for Limited Space Operations*. We actively call on and advocate that contractors, suppliers, intermediaries, agents and other value chain partners comply with the relevant system. In addition, the Company has improved 36 safety management systems, including the *Post Responsibility System for All Employees*, the *Occupational Health and Safety Management System*, the *Production Safety Accident Reporting and Investigation System* and the *Dangerous Operation Safety Management System*, which have clear provision on safety management system, safety responsibility clarification, safety risk management and control, hidden hazard inspection and elimination, production safety training, contractor personnel management, emergency response and performance management.

The Company has established the safety production management structure in accordance with the standards of three-level production safety management system to continuously strengthen the prevention and control of production safety and clarify responsibilities for production safety at all levels.



Decision-making level

The Company has established a production safety committee, with the vice chairman as the highest person in charge, to coordinate and guide the overall management of the Company in production safety.



Management level

The Company's safety and environmental protection department is responsible for planning, supervising and managing the production safety work, regularly conducting the safety performance assessment and reporting to the production safety committee on a monthly basis.



Execution level

Full-time and part-time safety inspectors are assigned to the plants, departments and workshops to implement various safety systems, monitor the day-to-day safety management at the grassroots level and manage emergencies.

<sup>20</sup> A major or above production safety accident is an accident that causes the death of more than 10 people and less than 30 people, or serious injuries of more than 50 people and less than 100 people, or direct economic loss of more than RMB 50 million and less than RMB 100 million; a special accident is an accident that causes the death of more than 30 people, serious injuries (including severe acute industrial injuries) of more than 100 people, or direct economic losses of more than RMB 100 million.



During the year, the Company obtained third-party ISO 45001 occupational health and safety management system certification again and has continued to improve our safety management and comprehensive management based on leading management standards, marking the further normalization, standardization and modernization of our safety management. All safety management personnel and special operations personnel of the Company have obtained qualification certificate.



ISO 45001 occupational health and safety management system certification

## Ensuring Production Safety

The Company has always insisted on “all employees take the safety and prevention as top priority with a holistic, healthy development and continuous improvement approach”. We work hard to continuously improve the awareness and ability of our employees and partners in production safety and emergency management by improving the mechanism and organizing training.

### Safety risk management

The Company strictly complies with the *Production Safety Law of the People's Republic of China*, the *Regulation on the Detection and Control of Risks from Production Safety Incidents* and other laws and regulations, and has formulated the *Safety Inspection System*, the *Management System for Risk Detection and Control* to conduct the detection and treatment of hazards of production safety accidents. We have also formulated the *Production Safety Education and Training System* and the *Production Safety Reward and Punishment Management System* to establish a mechanism for encouraging production safety and restraining production accidents. The Company establishes a double-prevention mechanism for risk classification control and hazard detection and control and conducts risk classification control and closed-loop management of hidden risks through the Company's internal information platform. The Company identifies the processes in which significant risk sources exist in the production chain in accordance with the *Rules on Hazard Identification, Classification and Risk Assessment and Hierarchical Management* and adopts targeted control measures to prevent safety risks.





## Raw Material



### Powder-related risks

The air isolation method is adopted for closed operation and nitrogen positive pressure is used for protection. The operators are required to wear personal protective equipment such as safety helmet, protective mask, and fireproof suit.



### Hydrogen-related risks

The hydrogen production station is designed according to national standards such as the *Code for Fire Prevention in Construction Design* and *Code for Hydrogen Production Station Design*, and a series of prevention and control measures have been established, such as upgrading the fire resistance of the electrolytic chamber of the hydrogen production station to Grade 2, the construction of well-ventilated gas building, the setting of flammable gas leakage alarm facilities and linked accident fans, etc.

## Machining



### Mechanical injury

Have safety facilities in place, such as protective cover, protective net, protective door, safety chain, safety grating, and emergency stop switch, and conduct regular inspection and maintenance.



### Noise

Have sound insulation in place and equip employee with protective earplug. Erect occupational hazard notice board in the workshop and organize regular occupational health examination for employees.



### Object drop

Equip the employee with safety helmet, especially equip employee who transports or handles materials with safety shoes to prevent drop of objects.



### Fire hazard due to chemicals

The hazardous chemicals warehouse shall be equipped with emergency facilities and materials such as fire extinguishers, fire hydrants, fire sand, anti-overflow ditches, leakage trays and eye washers, and shall be inspected and maintained regularly;

Have cooling spray in place to prevent fire caused by high temperature;

All hazardous chemicals shall be transported sealed according to the approved weight limit, height limit and speed limit of forklift truck. Transportation personnel shall be trained before operation;

Distribute all kinds of protective equipment to employees and supervise their proper use.

In the area of emergency response, the Company has established an emergency management system and made many internal emergency plans such as the *Emergency Plan for Production Safety Accidents*, and the *Emergency Rescue Management System for Accidents* and the *Emergency Preparation and Response Procedures for Environmental Accidents*. We have also formed an emergency team to ensure a quick activation of all emergency efforts in case of fire, explosion, special equipment accidents, occupational poisoning and other unexpected accidents. In case of any production safety accident, the Company will strictly trace the cause of the accident and put forward a series of safety management initiatives to continuously improve the safety production management and prevent the recurrence of similar accidents to the maximum extent.



On-site inspection

## Contractor safety and security

The Company attaches equal importance to the occupational health and safety of its contractors and gives priority to the selection of contractors with good qualifications. In the *Contractor Management System*, we clearly require our contractors to sign a *Safety and Environmental Protection Agreement* to implement the safety management system and production safety measures. The contractors and we work together to safeguard health and life and establish a safety defense line.

In terms of contractor qualification review, the Company adhered to the principles of “selecting, using, and managing well” the contractor. Through “three passes” of strict qualification access, process supervision, and assessment of breach of contract, we continuously strengthen the management of contractors, and focus on resolving the problems of non-conformity of contractors’ qualifications, inadequate safety construction plans, unclear information of safety technology, inadequate staffing of special operations personnel, and non-payment of social insurance. During the year, the Company reviewed the relevant qualification, performance and certification of 67 project contractors, and eliminated unqualified team construction.

In the ritual management of contractors, the Company takes the implementation of the responsibility system and assessment of the responsibility for safe production as its guiding principle and establishes the management mechanism of contractor evaluation and supervision with equal reward and punishment and equal responsibilities and rights. We also conduct regular on-site review to supervise and manage the implementation of safety production standards in the course of the contractor’s work. In the current year, the Company went deep into the work site, focused on inspection of illegal work and other key areas such as on-site protection, and investigated and dealt with 164 unsafe acts. At the same time, the Company regularly checked and listed personnel information, established specific information desk accounts, and made it possible to check the contractor’s personnel.

In addition, the Company actively organizes contractors to conduct safety education and training, which has enhanced the safety awareness of contractors’ employees, reduced the frequency of safety accidents and promoted the safety and health of all processes.

## Insuring Occupational Health

The Company attaches great importance to the occupational health and safety of employees and ensures the health of employees with solid measures. The Company has established occupational health management process, implemented risk prevention measures, stepped up health and safety promotion and training to create a healthy and safe working environment for employees.

In accordance with the requirements of ISO 45001 *occupational health and safety management system* certification, the Company has formulated the Occupational Health and Safety Management System, the *Labor Protection Supplies Management System* and the *Medicine Box Management System* to establish a sound occupational health management system.

During the year,

Incidence of occupational diseases among the Company's employees for three consecutive years

0

The annual rate of injury per million working hours

≤ 2

In 2024,

The Company will continue to target employees with

0 occupational disease

### Hazard factors



We carry out identification and survey of occupational health hazards, and make a list of occupational disease hazard factors to eliminate or mitigate occupational health hazards at source. At the same time, the Company implements a shift system to reduce the exposure of employees at risk sites.

### Provision of protective products



The Company equips employees with protective masks, eye shields, protective gloves, waterproof boots and other protective products to strengthen personal protection, and requires employees to wear proper personal protective equipment such as dust masks to reduce dust contact. In addition, the Company provides hearing protection equipment with different degrees of protection for people working in different noise-intensive environments, such as portable earplugs and noise protection earcups to ensure that the hearing is protected accordingly.

### Occupational Health Care



We design the occupational health monitoring for pre-employment, on-duty, transfer and resignation to prevent occupational contraindications and ensure that the employee’s physical condition is appropriate for the job in which he or she is employed. Specific measures include occupational health check-ups for employees in posts with occupational health risk, regular monitoring the health condition and establishment of individual occupational health files.

Contributing to these SDGs correspondingly



## Practicing People-Oriented Philosophy Joining Hands to Win Together

The Company adheres to the value concept of “people-oriented” and regards employees as our most valuable asset. We respect every employee and are committed to creating an equal, diverse, and healthy work environment. We established transparent and fair promotion channels and provided comprehensive living and professional skills training for employees to help them develop in the long term. We implement the employee welfare system, truly care for employees' lives, enhance employees' sense of belonging, achieving mutual benefit and win-win relationship between employees and the Company.



# Protecting the Rights and Interests of Employees

The Company strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, and the *Law of the People's Republic of China, the Special Regulations on Labor Protection*, etc., respect and protect human rights, provide equal career opportunities for all employees, provide employees with competitive salaries, and continuously expand the channels of communication among employees to effectively safeguard their legitimate rights and interests.

## Respect and Protection of Human Rights

In accordance with the internationally recognized human rights policies set forth in the *Universal Declaration of Human Rights*, the Company formulated the *Control Procedures for the Prohibition of Discrimination, Harassment and Abuse of Employees*, the *Control and Protection Procedures for the Prohibition of Forced Labor*, and the *Control and Protection Procedures for the Relief of Child and Minor Workers*, etc., covering the entire company's operations as well as upstream and downstream suppliers and partners explicitly state that the Company eliminates child labor and forced labor and other human rights violations, opposes discrimination, guarantees equal pay for work of equal value, ensures that employees have the freedom of association and the right to collective bargaining, respects and upholds the dignity of each employee, and is committed to creating a healthy, equal, and positive work environment.

We adopt a zero-tolerance policy on non-sexual harassment and sexual harassment, discrimination, and abuse, and oppose any form of verbal abuse, harassment, harassment, and abuse. Anti-discrimination and anti-harassment training is regularly conducted for employees in cases of intimidation and other irregularities. Every year, the Company conducts internal auditing on labor issues, according to the SA8000 standard and other standards, to comprehensively assess the Company's performance in human rights, forming the *report on the corrective and preventive measures for the problems*, and follows up the implementation of the corrective measures by the responsible departments in a timely manner after the completion of the auditing procedure. Company-wide, employees who experience or witness violations of our human rights policies, such as discrimination, harassment, child labor, and forced labor, may immediately report such violations to their immediate supervisors, or other management personnel. Once a violation is verified, we will take serious disciplinary action against the offender and provide appropriate remedies to the affected parties in a timely manner (if child labor is found to have occurred, the Company will immediately stop the work of the employee, promptly report the information to the local government, and implement a child labor remediation plan for a minimum of six months, which will include providing funds for remediation, and cooperating with the government and other relevant organizations in the provision of welfare benefits for the employee) in order to ensure that all employees are treated fairly and equitably.

In this year, there were no incidents related to human rights violations such as discrimination, harassment, abuse, employment of child labor and forced labor.

## Employee Recruitment and Retention

The Company adheres to the recruitment concept of "fair competition and equal employment", and has formulated internal recruitment systems such as the *Recruitment and Employment and Post Shift Management System*, which clearly stipulates that any discrimination based on factors such as race, skin color, gender, nationality, ethnicity, age, religious beliefs, marital status, sexual orientation, pregnancy, and disability shall be eliminated in the recruitment and employment process, and that every employee shall be treated equally and with respect for his/her diversified development.



Percentage of female employees

**32.05%**

Percentage of female employees  
in technical departments

**14.66%**



Percentage of female employee in sales, production, and customer service  
department

**34.19%**



Percentage of female employees in management level (including junior, middle, and senior management)

**18.45%**

Percentage of female employees in junior management

**18.16%**

Percentage of female employees in middle management

**18.99%**

The proportion of female employees in senior management

**11.11%**

The Company regularly reviews the recruitment process to ensure that the process is fair and transparent. During the recruitment process, the Company clearly requires and verifies the authenticity of new employees' information and conducts background investigations on employees in key positions and management positions to ensure that the recruitment process complies with the Company's system. At the same time, the Company regularly conducts training for employees on the prohibition of child labor and forced labor to guarantee that employees participate in work voluntarily and avoid incidents of child labor or forced labor.

The Company recruits talents through various channels such as campus recruitment, social recruitment, and internal recommendation recruitment. Based on job requirements and development strategies, the Company publishes recruitment information on the websites of career guidance centers of target colleges and universities as well as external recruitment websites, holds online recruitment seminars, and actively participates in offline recruiting fairs and campus seminars organized by colleges and universities, so as to effectively enhance the understanding and awareness of the Company among students in colleges and universities, and to attract outstanding young talents.

Indicator		Year of 2023
Total number of employees		5,461
Total number of new employees		1,636
By gender	Male	3,711
	Female	1,750
By age	30 and below	1,818
	31 – 40	2,556
	41 – 50	1,038
	51 years and above	49
By region	Jiangxi Province	3,938
	Inner Mongolia Autonomous Region	1,331
	Zhejiang Province	167
	Other parts of China and overseas	25
By category	Senior management	9
	Junior and middle management	310
	Non-management staff	5,142

## Compensation and Performance of Employee

In order to standardize the management of employee remuneration, the Company has formulated the *Compensation Management Control Procedure*, and continuously improving the remuneration system as well as the performance evaluation mechanism, taking responsibility, ability and performance as the main criteria for employee evaluation, to ensure that employees are fairly rewarded for their efforts. The Company has built a thorough employee performance management system by adopting the talent management concept of "speaking with data and valuing on performance" and adopting the dual-orientation mode of "result and process", organically combining the personal performance of employees with the performance of the Company. The Company conducts regular performance appraisals for all employees and requires periodic two-way communication between department leaders and appraisees in order to realize continuous feedback as well as timely appraisal feedback. The Company determines the reasonable salary level according to the employees' grades, positions, and performance evaluation results, and provides the employees with basic salary, overtime salary, performance evaluation salary and various special rewards, so as to build a fair and reasonable salary system.

For the purpose of setting up advanced role models and stimulating the enthusiasm of employees, the Company adopts the *JL Mag Annual "Advanced Individuals" and "Jinli Craftsmen" Selection Program*, and other internal policies and programs, we sets up awards for safe production, quality improvement, scientific and technological innovation, and lean project, Sales Award, Outstanding Employee, Advanced Individual, Jinli Craftsman and other awards to recognize and commend individuals and collectives with outstanding contributions. This year, the Company selected 275 individual awards and 122 group awards.

The Company attaches great importance to the establishment of a long-term talent incentive mechanism. the Company will give equity incentives to the managers and all non-management staffs who have made outstanding contributions to the long-term growth to fully mobilize the initiative and enthusiasm of employees, sharing the Company's development achievements with employees. In the current year, the Company vested 3.38 million restricted shares to 212 incentive recipients, representing approximately 0.25% of the Company's total share capital.

Indicator	Unit	Year of 2023
The number of incentive recipients vested restricted shares by the Company	person	212
The number of restricted shares vested by the Company	million shares	3.38





## Employee Communication and Participation

We attach great importance to communication with employees, open up channels for employee complaints and feedback, listen carefully to their voices, and ensure that employees' legitimate rights and interests are protected.

The Company provides various communication channels for employees. Employees can use opinion boxes, questionnaires, OA office groups, regular meetings and other channels to communicate directly or indirectly with their superiors. In addition, in order to further widen the channels of communication, the Company set up anonymous appeal channels. Employees can submit their feedback in an anonymous form directly to the audit department through the complaint phone number and complaint email address, etc. The audit department will proceed with the verification work based on the feedback content to enhance the communication efficiency.

The Company formulated the *Employee Complaint and Handling Procedure* and set up HRBP and Labor Relations Officer to handle employee complaints, so as to ensure the fairness, transparency and openness of complaint handling. When employees disagree with the results of salary and performance appraisal, they can submit their feedback to the department leader and specialized officers within 7 working days through channels such as complaint hotline, complaint mailbox, complaint form, etc. After receiving the complaint, the relevant staff will verify the situation in time and process it within 7 working days. If the employee is still not satisfied with the result, he/she can file a complaint again. The Company will ensure that the employee's claim is properly resolved.

The Company has set up a labor union to safeguard the legitimate rights and interests of the employees and to ensure that the employees exercise their right to democratic management in accordance with the law. The Company regularly convenes staff congresses to listen to the opinions and suggestions of staff representatives on the development of the Company, and reports to all staff representatives on the improvement of staff opinions and suggestions in the meetings, thus actively implementing democratic management.

In order to better understand the needs and expectations of employees and to respond positively to employees' demands, the Company conducts a semi-annual employee satisfaction survey, which covers employees' satisfaction with work, work objectives, and working pressure.



In this year, the Company conducted two satisfaction surveys covering all employees, with overall employee satisfaction rate<sup>21</sup> of

**86.89%**

<sup>21</sup> The overall employee satisfaction rate = Average satisfaction score of overall satisfaction, company management and communication, working environment, teamwork, benefits, training and development \* 100%.



# Supporting the Development of Employee

The Company pays great attention to the career development and vocational skills enhancement of employees, builds a scientific and transparent employee promotion channel, and continues to improve the employee training system, enriching the professional skills of employees, upgrading the management level, and strengthening the construction of our talent contingent.

## Employee Promotion

The Company takes talent cultivation and development as an important strategy for the enterprise development and implements the dual-track system of "technical" and "management" career development channel. In the "technical" channel, the Company has established five major sequences, including professional, quality, sales, function and production, to refine the technical development paths of different sequences of employees, and to provide employees with diversified career development channels; in the "management" channel, the Company has set up a vertical promotion mechanism for junior, middle and senior managers, so as to cultivate employees with management potential into excellent team leaders. Furthermore, in order to meet the Company's demand for the reserve of middle and lower level technicians, we carried out the human resource planning of "900 Talent Project" in this year, and carried out a variety of talent reserve and training work, including automation, lean management, machining and project management, through the method of "internal training + external recruitment". In addition, the Company also provides employees with internal transfer opportunities, employees can achieve job transition within the Company through internal recruitment, joining the Company's talent pool, job rotation and more.

The Company continues to improve the employee promotion mechanism and employee evaluation system, through the "online written test + offline practical" assessment method, using the 360-degree appraisal, performance evaluation and quality test, etc. to conduct the annual performance appraisal assessment of all employees, to select outstanding talent in line with the Company's requirements.



In the current year, the percentage of internal recruitment reached

**22.18%**

## Employee Training

Based on the Company's strategic development needs, we optimize the *training management system*, expand the teaching force, innovate training methods and training incentives according to the job requirements and the practical situation of the employees, with a view to providing talent impetus for the Company's high-quality development.

### Training System and Scheme

The Company pays continuous attention to the long-term development and professional skills of employees, and has formulated and strictly complied with internal training systems such as the Training Management System, the *New Employee Training Management*, *Reserve Cadre Training System*, the *External Training Management System*, the *Internal Trainer Management System*, etc. The Company incorporates employees' learning and training records into their personal files, and links them to year-end assessment, merit assessment and promotion, so as to improve employees' learning initiative.

With the aim of ensuring that employee training is carried out in an effective and orderly manner, the Company regularly conducts surveys on the training needs of all departments, clarifies the training objectives, develops annual training plans in combination with performance evaluation and job analysis, and carries out employee training by means of an online plus offline mode. After the training, the human resources department uses questionnaires and post-course questionnaires to evaluate the training effect, promptly adjust the training plan, and improve the quality of training.

The Company has been continuously optimizing the employee training mechanism. We conducts quality awareness surveys for employees of each production process in the pre-training period, and based on the results of the surveys, we identify the weaknesses of quality management in different processes and positions, and design targeted training courses in order to practically solve the problems of quality management and ensure the stability of product quality.

## Sound Training Regime

We are guided by the Company's development direction, and combined with the development needs of employees, to build a sound all-employee training regime, constantly optimizing training methods, enriching training courses, coordinating internal and external training resources, to provide employees with a full range of training courses covering different positions and grades, with the aim of comprehensively promoting the growth and development of each and every employee.

We attach importance to the quality improvement and innovation of internal training courses, and the Company has formed a team of internal trainers consisting of cadres at all levels and business backbones to provide employees with courses on safety management, quality management, lean production, and other courses, which forms a knowledge precipitation and sharing within the Company. During this year, the Company had a total of 343 internal trainers.

To improve the convenience of employee learning and effectively track the progress and results of employee learning, the Company has developed the "Cloud Home" online learning platform, continuing to innovate online training and assessment modes, realizing point-to-point training content delivery, providing employees with video training courses on business ethics, production safety, environmental protection, and other aspects. At the same time, in order to motivate employees to actively participate in online training, the Company continues to optimize the training incentive mechanism, setting up a points mall in the platform, encouraging employees to participate in training to obtain points and redeem gifts so as to stimulate employees' learning awareness. During the year, a total of 79 courses were provided on the Company's "Cloud Home" online platform, and a total of 161,318 people participated in online training.

During this year,

The Company's employee training covered

**100%** of the employees

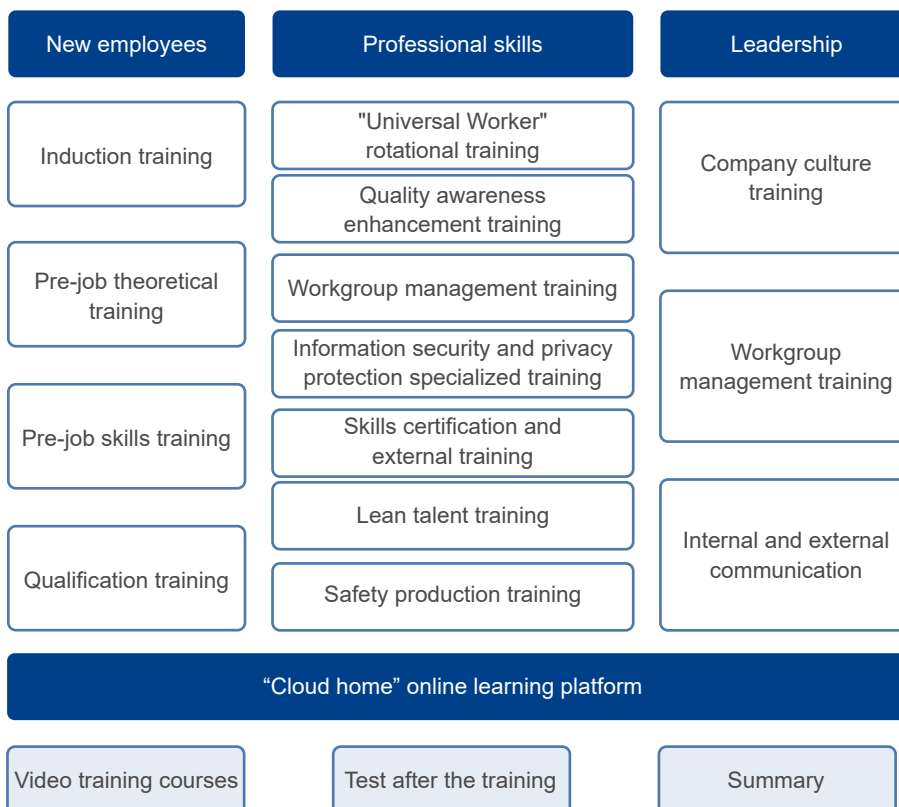
Total training hours of

**876,282.36** hours

Hours of training per capita reached

**160.46** hours

### Employee Training Regime





## Employee Training Programs



### New employee training

Objective	Program	Program Description	Outcome
New employee	Qualification training	To ensure that new employees can quickly adapt to the work environment, master work skills, and meet job requirements, the Company conducts induction qualification training for specific positions, including work skills and knowledge training, etc., in order to enhance the job competence of new employees.	During this year, the Company organized a total of 12 qualification training examinations, with a total of 1,193 people passing the examinations and successfully obtaining induction qualifications.
	Induction training	In order to help new employees quickly integrate into the Company and adapt to the job content, the Company conducts induction training covering information security, corporate culture, anti-fraud, anti-discrimination and anti-sexual harassment, and the elimination of child and forced labor.	
	Pre-job theoretical training	In order to help new employees fully understand the Company's basic conditions, business scope, job responsibilities and theoretical knowledge required for work, the Company carries out pre-job theoretical training, providing relevant theoretical knowledge training, such as basic knowledge of magnetism, material science, production process, etc., for the features of the new employee's position, to help the new employee master the necessary work skills.	During this year, the Company conducted a total of 116 induction training and assessment sessions, with a cumulative total of 1,937 participants.
	Pre-job technical training	In order to ensure that new employees are able to grasp job-related operating skills, understand and follow the Company's production standards and safety norms, and improve work efficiency and quality, the Company carries out pre-job skills training covering equipment operation, production process flow, safety operation norms, etc., to ensure the stability and reliability of the products.	





## Professional competence training

Objective	Program	Program Description	Outcome
Frontline operational staff in the billet, machining and finished product production departments	"Universal Worker" rotational training	In order to enhance the Company's manufacturing advantages, the Company launched a multi-skill, multi-position training of employees, so that employees have "multi-skilled" competence, in response to urgent orders or shortage of personnel in some positions, the implementation of reasonable deployment, in order to ensure the normal operation of production and product quality stability.	This year, the Company selected 27 outstanding employees to participate in the "Universal Worker" rotation training.
Production, technical and quality system employees	Quality awareness enhancement training	In order to raise the quality awareness of all employees, the Company carries out quality awareness training, which covers the areas of quality management system knowledge, quality control methods, production site quality control practices, quality improvement and efficiency enhancement, and hierarchical quality audit.	This year, the Company conducted a total of 85 quality awareness training sessions and 62 post-training assessments, with a total of 11,368 participants.
First-line team leader, Reserve Cadre	Workgroup management training	In order to upgrade the level of professional knowledge and work skills of the staff and improve work efficiency, the Company organizes training for management cadres and experienced senior staff on job knowledge, process skills, work methods and other aspects.	This year, the Company conducted a total of 105 training sessions on workgroup management, with a total of 2,290 participants.
Information Security Staff	Information security and privacy protection specialized training	In order to elevate employees' awareness of information security and customer privacy protection, the Company continuously carries out specialized training on information security and privacy protection, covering areas such as the interpretation of the <i>Project Information Security Management System</i> , personal information security protection, etc. The effectiveness of the training is assessed through an examination at the end of the training to ensure that the employees have mastered the skills and knowledge of information security protection.	This year, the Company conducted a total of 4 online training sessions for all employees and 115 on-site training sessions for new employees, and all employees passed the assessment.
All employees	Skills certification and external training	In order to broaden the career development path of skilled personnel, the Company has been vested the qualification to independently certify the level of vocational skills since 2021. The Company actively encourages its employees to participate in external professional skills training and examinations, and grants skill allowances or full reimbursement of expenses to employees who have obtained relevant certificates, so as to incentivize them to pursue further studies.	This year, the Company conducted the vocational skill level recognition of chemical inspector grade 5 (junior worker), and a total of 9 colleagues successfully passed the recognition; this year, a total of 72 employees obtained the certificate of graduation of senior technician.



All employees	Lean talent training	In order to effectively land the management idea of enterprise lean production and cultivate a team of talents who are skilled in the methodology and practical operation of lean tools, the Company carries out theoretical exams and improves the weekly practice for talent rating and certification to enhance the efficiency of the production line and optimize the equipment process to reduce energy consumption and other initiatives.	From 2020 to 2023, the Company will carry out a total of 328 improvement week training activities, covering process, quality, production process and other areas, and cultivate a total of 84 lean talents.
	Safe production training	In order to strengthen the staff's safety awareness and comprehensively improve the ability to ensure production safety, the Company encourages the advanced and spurs the backward through activities such as safety bulletin boards, safety banners, safety training, safety drills, evaluating excellence, and watching warning and educational films on typical accident cases.	This year, the Company conducted 95 safety and health training sessions with a total of 6,039 participants.
Department heads, shift leaders, frontline staff	Safe production month activities	In order to create a strong safety atmosphere, the Company through the organization of publicity, training, hidden danger investigation, "Health and Safety Cup" Knowledge Contest, "Safety Skills Competition", "Safety Whistleblower", "take a family photo", emergency drills and a series of other activities for the stable development of the Company's production and operation of the provision of a good safety environment.	This year, the Company carried out 3 comprehensive emergency drills, 21 special emergency drills for fire fighting, 8 special drills for hazardous chemical leakage, 2 emergency drills for accidents in restricted spaces, and 49 on-site emergency response drills, which effectively improved the safety awareness, emergency response capability and safety culture of the employees.
	Fire prevention month activities	In order to improve the staff's awareness of fire prevention and emergency response capability in case of fire accidents, the Company organized a series of activities such as "Fire Prevention Month", "119" Fire Prevention Consultation Day, and "Promoting Excellent Troops by Practicing for Battle" with the theme of "Prevention First, Life Foremost".	This year, the Company effectively enhanced the fire safety awareness and fire accident emergency response capability of all staff by organizing publicity and training, hidden danger investigation and emergency response drills.
Production manager	Production manager competence upgrading training course	In order to enhance the production managers' professional ability and management ability, this training is conducted through on-site lectures, production site improvement operations, tool simulation exercises and other forms of training, and the effect is tracked by the final assessment and the final results report.	This year, a total of 55 people participated in the Company's specialized training for production, quality, incumbent supervisors, section heads, assistant section heads, first and second persons in charge, newly promoted supervisors and middle management reserves.





## Leadership training

Training Objective	Training Program	Program Description	Training Outcome
Primary management	Company culture training	In order to enhance the staff safety, quality and production literacy, and actively guide the staff to participate in safety, quality and production management, to create a company quality culture of full participation, full control, continuous improvement and customer satisfaction.	This year, the Company conducted a total of 124 training sessions on corporate culture, and 71,228 people participated in online Q & A activities.
	Workgroup management training	In order to enhance the operation site and manufacturing process management ability of the shift manager, the Company carries out shift management training for the operation progress management, quality, cost, personnel and other elements of the management, departmental synergy, etc., and endeavors to build up a team of shift managers with a reasonable structure, sufficient quantity, professional excellence, and outstanding manners.	This year, the Company carried out a total of 25 training sessions for primary management cadres in three phases and held 25 post-training assessments, with a cumulative total of 1,346 participants.
Middle and senior Management	Internal and external communication	The Company promotes communication and collaboration among various departments within the Company and strengthens the connection and cooperation between the Company and its external partners with a view to achieving the objectives of improving work efficiency, optimizing resource allocation and promoting technological and management innovation, such as participation in industry exchange activities such as the 2023 China (Changsha) Industrial Automation and Industrial Robotics Study Tour and Exchanges.	This year, the Company conducted a total of 122 internal and external communications, with a total of 1,346 participants.



## 2023 Employee training data

Indicator		Unit	Year of 2023
Hours of training per capita		hour	160.46
Training costs per capita		RMB	152
By gender	Male employees average hours of training	hour	160.46
	Female employees average hours of training	hour	160.46
By category	Female employees average hours of training	hour	121
	Senior management average hours of training	hour	215.17
	Non-management staff average hours of training	hour	157.23
Percentage of employee trained		%	100
By gender	Male	%	100
	Female	%	100
By category	Senior management	%	100
	Junior and middle management	%	100
	Non-management staff	%	100
Number of safe production training sessions		time	95
Number of employees covered by safe production training		person-times	6,039

### Joint Cultivation with Higher Education Institutions

In 2023, the Company, as a leading enterprise, declared "Ganzhou Rare Metals Municipal Industry-Teaching Consortium" together with Ganzhou Economic and Technological Development Zone and Jiangxi Vocational College of Applied Technology, and was successfully shortlisted in the first batch of national municipal industry-teaching consortiums by the Ministry of Education, becoming one of the 28 municipal industry-teaching consortiums in the country, and the only national municipal industry-teaching consortium in Jiangxi Province. The consortium is based on rare metal industry. With rare metal industry as the leading industry, the consortium covers 3 government agencies, 21 middle and high colleges and universities, 9 scientific research institutions, 4 industrial organizations and 88 enterprises.

Moreover, to thoroughly implement the construction program of the Ganzhou Rare Metals Municipal Industry and Education Consortium, the Company and Jiangxi Applied Technology Vocational College jointly declared the Rare Metals Field Engineer Industrial College, making full use of industrial resources, location advantages, and integrating resources of "government, school, industry, enterprise, research, production and education" to achieve the positive cycle of promoting education by industry, cultivating talents through education, and promoting the industry by talents.



The inaugural meeting of Ganzhou Rare Metals Municipal Industry and Education Consortium



Opening Ceremony of the Industrial College for Rare Metal Field Engineers

# Caring for Our Employee

The Company attaches great importance to the physical and mental health of our employees and continuously enriches the employee welfare system to enhance the employee happiness. We carry out a variety of cultural and sports activities to help employees achieve a better work-life balance and enhance their corporate sense of belonging.

## Employee Benefits

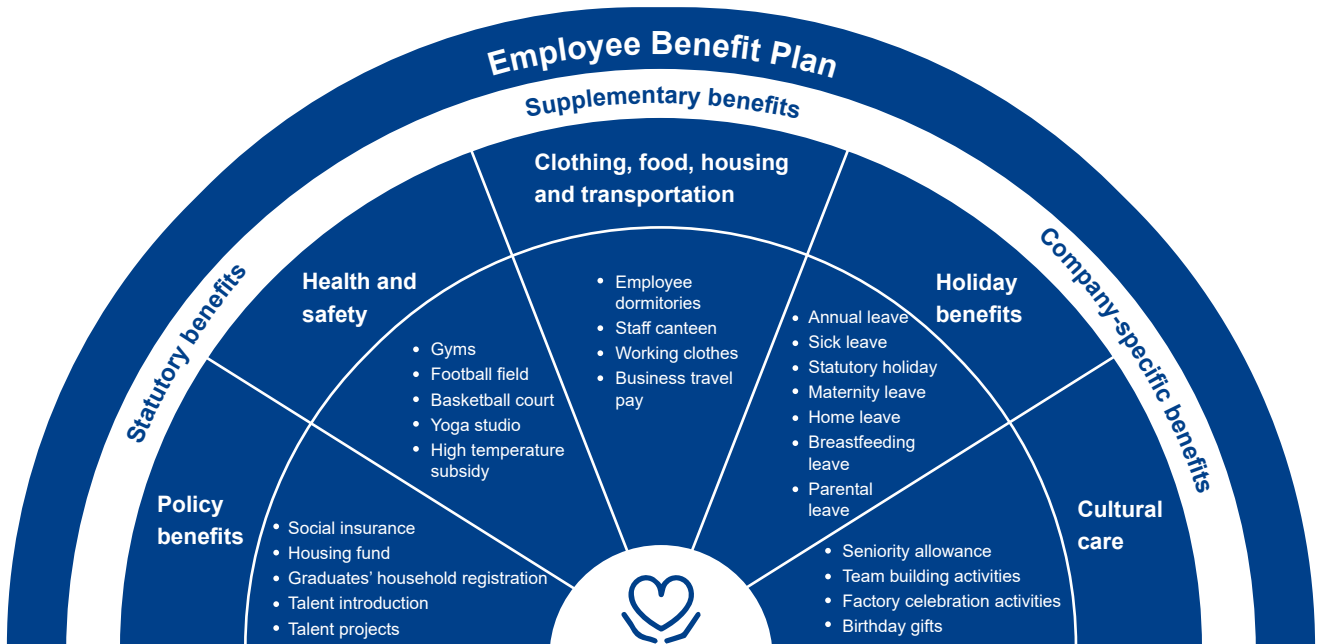
The Company adheres to the concept of “people-centered” and provides diverse benefits in policy, employee physical and mental health, food, clothing, accommodation and travelling, and holiday. We include employee care into the corporate culture.

We continue to improve the employee welfare system, covering statutory benefits, supplementary benefits and company-specific benefits. We classify the scenarios of employee benefits and provide a multi-dimensional, all-round and comprehensive benefits for employees to improve their happiness and sense of gain.

During the year,

The Company’s total expenditure on employee benefits and allowances amounted to approximately RMB

**548** million





## Employee activities

The Company actively conducts cultural and holiday activities to enhance employee exchange opportunities and the internal cohesion of the Company. During the year, the Company held the New Year arts show, the "Her strength, unlimited" theme activity for the Women's Day, the "Food Festival" and the "JL Cup" football match, and the "JL Cup" men's basketball game to enrich employees' free time, create a healthy and positive work atmosphere and enable each employee to work happily and live a healthy life.

- **"Her strength, unlimited" theme activity for the Women's Day**

In March 2023, to celebrate the 113th International Women's Day on March 8th, the Company organized a theme activity of "Her strength, unlimited" and delivered holiday gifts to all women employees, conveying our care for them.

- **Food discovery and culinary skills competition at JL MAG's canteen**

In June 2023, the Company organized the "Food discovery and culinary skills competition" at the Company's canteen. The Company has taken this opportunity to continuously improve the level of canteen business skills and service quality, so that employees can feel comfortable with meals and work healthily.

- **JL Cup sports games**

In June 2023, the Company held the fifth "JL Cup" five-member football match and the 14th "JL Cup" men's basketball game. Our employees were sufficiently participating in these games. Various sports events have enriched the spare time of a vast number of employees, enhanced the collaboration among teams and enhanced the employee's sense of happiness, belonging, and achievement in the Company.

- **JL MAG 2024 New Year arts show**

To enhance corporate cohesion and enrich the spare time of employees, we held the 2024 arts show for celebrating the New Year in December 2023. All staff gathered together to show our progress with innovation and art and to celebrate the New Year with singing and dancing.





Contributing to these SDGs correspondingly



## Contributing to Society Shouldering Responsibilities

The Company actively fulfills the commitment to community development. To this end, we continue to carry out public welfare projects in a wider scope and to a deeper extent in higher education, rural revitalization, community services and ecological and environmental protection, doing our best to empower community development and help early achievement of common prosperity. Since the establishment in 2008, the Company's tax contribution has accumulated to approximately RMB 982 million.

# Supporting Education

The Company is deeply concerned about education, and has actively invested efforts and material resources to carry out outstanding talent scholarship incentive programs in cooperation with a number of colleges and universities, so as to encourage students with good character and excellent academic performance, and to give back to the society with a firm initial heart and practical actions.

During the year, the Company set up scholarships in University of Science and Technology Beijing, Nanchang University, Nanchang University of Aeronautics and Astronautics, Jiangxi University of Science and Technology, Ningbo Institute of Materials Technology and Engineering, Chinese Academy of Sciences, Lanzhou University, Taiyuan University of Technology and Inner Mongolia University of Technology to support outstanding students majoring in powder metallurgy, metallic material, magnetic materials, rare earth and mechanical and electrical engineering. Since the establishment of university scholarships in 2012, the Company has provided a total of RMB 3.76 million in scholarships, awarding a total of 1,060 college students.

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Awarding Ceremony of "JL MAG" Scholarships in Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences



Awarding ceremony of "JL MAG Inspiration" Scholarships in Taiyuan University of Technology

# Serving Rural Revitalization

In response to the rural revitalization, the Company deeply promotes the "10,000 Enterprises Helping 10,000 Villages" precise poverty alleviation action, continuously improves the living conditions of remote villages, recruits personnel from formerly impoverished counties and districts under the jurisdiction of Ganzhou, and makes every effort to promote the development of impoverished areas.

The Company has recruited many employees from the areas that were formerly known as national poverty-stricken counties or districts, striving to build the "workshops for prosperity" through which we can provide stable employment and boost rural revitalization. By the end of 2023, we had recruited a total of 2,312 employees from 10 former national key counties and urban areas for poverty alleviation and development, including Gan District, Shangyou County, Yudu County, Huichang County and Nankang County under the jurisdiction of Ganzhou, accounting for about 63% of the Ganzhou headquarters factory staff.

By the end of 2023,

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Since the establishment in 2008,

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**982** million.



## Engaging in Community Welfare

The Company actively practices social responsibility by participating in community development and public welfare undertakings, to contribute to the sustainable development of the community and jointly create a better society. This year, the Company has invested RMB 14,000 in community public welfare activities with 11 participants.

### • JL MAG Volunteers in the Nursing Home

In October 2023, JL MAG volunteers visited the nursing home in Fenggang Town and carried out activities to promote the traditional virtues of filial piety and respect for the elderly of the Chinese nation, providing warm care for them. On the day, volunteers actively cut nails and cleaned the room for the elderly, talked with them, staged performances such as poetry recitation and dance, and sent cotton clothes and daily supplies for them.



Scene of JL MAG Volunteers in the Nursing Home of Fenggang Town

## Protecting Natural Environment

In March 2023, the Company organized voluntary activities of picking up rubbish in the Chinese Character Culture Theme Park in Ganzhou Economic Development Zone to encourage employees to shoulder social responsibilities by constantly contributing individual strength to good deeds and safeguard our homeland with practical actions. More than 40 volunteers from all departments of the Company and Baotou factory participated in this activity, with the total volunteer time reaching 98 hours.



Scene of the Voluntary Activities of Picking Up Rubbish

# Appendix

## ESG Key Performance Sheets

### Embracing “Dual Carbon” Strategy, Leading Low-Carbon Development

Indicator	Unit	Year of 2023	Year of 2022	Year of 2021	
1	Total GHG emissions	tCO <sub>2</sub> e	83,512	109,146	91,005
2	Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	4,052	3,221	2,562
3	Indirect GHG emissions (Scope 2) <sup>22</sup>	tCO <sub>2</sub> e	79,460	105,925	88,443
4	GHG emissions per RMB 1,000 of revenue	tCO <sub>2</sub> e/RMB'000 of revenue	0.013	0.015	0.022

### Deepening Environmental Management, Showing Ecological Landscape

Indicator	Unit	Year of 2023	Year of 2022	Year of 2021		
1	Energy consumption	MWh	303,609	199,940	181,069	
2	Energy consumption per RMB 1,000 of revenue	MWh/RMB'000 of revenue	0.04	0.03	0.04	
3	Total direct energy consumption	MWh	21,579	14,204	12,830	
4	Natural gas consumption	m <sup>3</sup>	2,142,977	1,300,453	1,184,947	
5	Diesel consumption	MWh	224.17 <sup>23</sup>	33.98	/	
6	Gas emission	MWh	158.66	97.25	/	
7	Total indirect energy consumption (purchased electricity)	MWh	282,030	185,736	168,239	
8	Water consumption	tonne	1,008,951	785,400	732,345	
9	Water consumption per RMB 1,000 of revenue	tonne /RMB'000 of revenue	0.15	0.11	0.19	
10	Total exhaust emission	million m <sup>3</sup>	2,955.56	2,028.07	/	
11	Exhaust emissions by type	Nitrogen oxide emissions (No <sub>x</sub> )	tonne	7.17	2.26	/
		Sulfur oxide emissions (SO <sub>x</sub> )	tonne	1.20	0.51	/
		Particulate matter emissions	tonne	21.42	1.98	/
		Volatile Organic compound emissions (VOC)	tonne	1.30	0.52	/
12	Total volume of wastewater treatment	ten thousand tonnes	34.56	35.52	24.93	

<sup>22</sup> Indirect GHG emissions (Scope 2) in the current year were lower than in 2022, mainly due to the Company's use of green electricity credits.

<sup>23</sup> After the volume of Baotou factory in 2023, diesel, gasoline and purchased electricity are included in the statistical category.

Indicator		Unit	Year of 2023	Year of 2022	Year of 2021	
13	The amount by substance in the wastewater	Chemical oxygen demand (COD)	tonne	14.22	6.01	/
		Ammonia nitrogen emissions from wastewater	tonne	3.41	1.41	/
		Phosphorus emissions from wastewater	tonne	0.09	0.05	/
		Nitrogen emissions from wastewater	tonne	8.70	0	0
14	Wastewater treatment per RMB 1,000 of revenue	tonne/RMB'000 of revenue	0.05	0.05	0.06	
15	Total volume of hazardous waste treated	tonne	606.99	463.27	407	
16	Hazardous waste by treatment method	Landfill	tonne	5.65	5.24	/
		combustion (without heat recover)	tonne	90.48	143.15	/
		combustion (with heat recovery)	tonne	444.25	4.14	/
		Other methods	tonne	66.61	310.74	/
17	Hazardous waste treatment per RMB 1,000 of revenue	kg/RMB'000 of revenue	0.09	0.06	0.10	
18	Compliant treatment percentage of hazardous waste	%	100	100	100	
19	Non-hazardous waste	tonne	18,517.71	15,077	10,233 <sup>24</sup>	
20	Non-hazardous waste by type	General industrial solid waste	tonne	17,752.38	14,380	/
		Domestic waste	tonne	257.95	413	/
		Kitchen waste	tonne	507.38	284	/
21	Recovery rate of general industrial solid waste	%	99	95.4	/	
22	Non-hazardous treatment per RMB 1,000 of revenue	kg/RMB'000 of revenue	2.77	2.10	/	
23	Amount of environmental protection investment	RMB million	12.93	15.37	10.18	

<sup>24</sup> In 2023, we continued to strengthen the statistics and management of the total amount of non-hazardous waste disposed of data, and made overall improvements in terms of data completeness and accuracy. During this reporting period, we have retrospectively adjusted the historical total amount of non-hazardous waste disposal data to better enhance the quality of disclosure.



## Stressing Quality Assurance, Consolidating Product Advantages

Indicator	Unit	Year of 2023	Year of 2022	Year of 2021		
1	Cumulative investment of R&D in recent three years	RMB million	851	600	328	
2	Amount of investing in R&D	RMB million	354	337	160	
3	R&D investment as a percentage of revenue	%	5.29	4.71	3.93	
4	Year-on-year increase percentage of R&D investment	%	5.04	110.71	55.23	
5	Number of science and technology innovation awards evaluated by the Company	-	35	24	24	
6	Amount of bonus awarded for the science and technology innovation awards	RMB million	2.11	1.27	1.45	
7	Number of people awarded by the science and technology innovation award	person	290	163	/	
8	Production of high-performance REPM utilizing GBD technology	Annual production	tonne	13,226	9,965	6,064
		Year-over-year increase	%	32.72	64.33	47.51
		Percentage of the Company's total product output in the same period	%	87.28	77.94	58.73
9	Quality management process inspection timeliness percentage	%	100	100	/	
10	Quality management process correction percentage	%	100	100	/	
11	Quality improvement incentive bonus	RMB million	1	1	/	
12	Investment in informatization and digitalization since 2021	RMB million	26.09	16.56	5.83	
13	Investment in building the automation system	RMB million	52.87	65.00	/	
14	Increase in production efficiency per capita	%	11.73	18.80	14	
15	New automated equipment independently developed	set	441	342	250	
16	Existing automated equipment upgraded	set	91	52	130	
17	Improvement week training activities conducted	time	328	198	/	
18	Number of suppliers	-	1,412	304	148	

Indicator		Unit	Year of 2023	Year of 2022	Year of 2021	
19	Number of suppliers by region	Number of suppliers in East China	-	814	175	51
		Number of suppliers in Central China	-	33	17	51
		Number of suppliers in South China	-	227	52	24
		Number of suppliers in North China	-	316	50	17
		Number of suppliers in West China	-	22	10	5
		Number of suppliers in foreign countries and regions	-	0	0	0
20	Percentage of local suppliers		%	40.50	39.80	/
21	Supplier quality management training sessions		-	9	8	/
22	Raw material pass rate by type	Pass rate for rare earth raw materials	%	97.24	100	/
		Pass rate for other raw materials	%	99.90	100	/
23	Percentage of timely procurement delivery		%	98.20	96.76	/
24	Customer satisfaction		point	98	98	/
25	Average delivery time of products shortened than previous year		day	1	0.50	2
26	On-time delivery percentage		%	99.70	99.30	/
27	Customer complaint resolution rate		%	100	100	/

## Compacting Safety Responsibilities, Buiding Safety Barriers

Indicator	Unit	Year of 2023	Year of 2022	Year of 2021		
1	Investment in health and safety projects <sup>25</sup>	RMB million	11.96	9.04	7.19	
2	Year-on-year increase of investment in health and safety projects	%	32.22	26.34	/	
3	Health and security projects investment by type	Investment in improving, renovating and maintaining safety protection facilities and equipment	RMB million	0.32	0.12	/
		Investment in equipping, maintaining and maintaining emergency rescue equipment, equipment and emergency exercises	RMB million	0.45	0.33	/
		Work safety inspection and evaluation (excluding safety evaluation of new construction, reconstruction and expansion projects), consultation and standardization construction expenditures	RMB million	0.28	0.14	/
		Investment in publicity, education, training and activities related to workplace safety	RMB million	0.16	0.04	/
		Outlay for equipping and updating safety protective equipment for field workers	RMB million	6.53	5.31	/
		Investment in inspection of safety facilities and special equipment	RMB million	0.51	0.49	/
		Other Investment directly related to work safety	RMB million	0.09	0.26	/
	Other	RMB million	3.15	2.05	/	
	Occupational health management (including occupational-disease-inductive factor test and assessment, occupational health examination fee)	RMB million	0.47	0.30	/	
4	Number of work-related fatalities	person	0	0	0	
5	Percentage of work-related fatalities	%	0	0	0	
6	Time lost due to work injuries	day	893	1,394	657	
7	Number of work-related loss events	-	23	68	/	
8	Number of safety accidents resulting in serious injuries or beyond	-	0	0	0	
9	Number of fire accidents causing more than RMB 10,000 of direct economic loss	-	0	0	0	
10	Coverage of three-level safety education training for new employees	%	100	100	/	
11	Percentage of safety management personnel obtaining certifications	%	100	100	/	
12	Regular checkup percentage of special equipment certification	%	100	100	/	
13	Special equipment forensics, determination percentage	%	100	100	/	
14	Potential hazard correction percentage	%	100	100	/	
15	Incidence of occupational diseases	%	0	0	0	
16	Safety and health training sessions	-	95	23	6	
17	Employees covered by health training sessions	person	6,039	4,879	/	

<sup>25</sup> In 2023, we continued to strengthen the statistics and management of the health and safety projects data, and made overall improvements in terms of data completeness and accuracy. During this reporting period, we have retrospectively adjusted the historical health and safety projects data to better enhance the quality of disclosure.



## Practicing People-Oriented Philosophy, Joining Hands to Win Together

Indicator		Unit	Year of 2023	Year of 2022	Year of 2021	
1	Number of employees	person	5,461	5,003	3,529	
2	Number of employees by gender	Male	person	3,711	3,361	2,332
		Female	person	1,750	1,642	1,197
3	Number of employees by age	30 or below	person	1,818	1,509	1,038
		31-40	person	2,556	2,467	1,797
		41-50	person	1,038	976	651
		51 or above	person	49	51	43
4	Number of employees by region	Jiangxi province	person	3,938	3,825	3,148
		Inner Mongolia Autononomous Region	person	1,331	1,090	354
		Zhejiang province	person	167	66	/
		Rest of China and overseas	person	25	22	27
5	Number of employees by category	Senior management	person	9	8	8
		Middle management	person	310	253	190
		Non-management staff	person	5,142	4,742	3,331
6	Percentage of female employee	%	32.05	32.82	33.92	
7	Percentage of female employees by category	Percentage of female employee in senior management	%	11.11	12.50	12.50
		Percentage of female employee in middle management	%	19.35	17.39	/
		Percentage of female employee in non-management staff	%	18.16	16.88	/
8	Percentage of female employees by department	Percentage of female employee in sales, production and customer service department	%	34.19	32.65	/
		Percentage of female employee in technical department	%	14.66	10.82	/
9	Employee turnover	person	941	653	/	
10	Employee turnover by gender	Male	person	630	420	/
		Female	person	311	233	/

Indicator			Unit	Year of 2023	Year of 2022	Year of 2021
11	Employee turnover by age	30 or below	person	396	250	/
		31-40	person	427	318	/
		41-50	person	112	83	/
		51 or above	person	6	2	/
12	Employee turnover by region	Jiangxi province	person	622	537	/
		Inner Mongolia Autonnomous Region	person	304	115	/
		Zhejiang province	person	12	2	/
		Rest of China and overseas	person	3	0	/
13	Employee turnover rate <sup>26</sup>		%	11.57	8.88	/
14	Employee turnover rate by gender	Male	%	11.28	8.44	9.80
		Female	%	12.2	9.78	10.93
15	Employee turnover rate by age	30 or below	%	12.97	9.58	12.09
		31-40	%	11.45	8.98	9.76
		41-50	%	8.61	7.18	7.86
		51 or above	%	11.76	4.00	4.55
16	Employee turnover rate by region	Jiangxi province	%	11.37	10.13	11.15
		Inner Mongolia Autonnomous Region	%	12.53	5.87	0.45
		Zhejiang province	%	5.69	2.67	/
		Rest of China and overseas	%	10.70	0	6.90
17	New employees hired		person	1,636	1,971	664
18	Number of new employees by gender	Male	person	1,165	/	/
		Female	person	471	/	/
19	Number of new employees by age	30 or below	person	852	/	/
		31-40	person	604	/	/
		41-50	person	178	/	/
		51 or above	person	2	/	/
20	Number of new employees by region	Jiangxi province	person	846	/	/
		Inner Mongolia Autonnomous Region	person	673	/	/
		Zhejiang province	person	113	/	/
		Rest of China and overseas	person	4	/	/
21	Number of new employees by category	Senior management	person	0	/	/
		Junior and Middle Management	person	62	/	/
		Non-management staff	person	1,574	/	/

<sup>26</sup> Employee turnover rate = Number of employees leaving after passing the probation period/(number of employees at the beginning + number of new employees in the current period)\*100%

Indicator		Unit	Year of 2023	Year of 2022	Year of 2021	
22	Percentage of internal recruitment	%	22.18	23.19	/	
23	Labor contract signing percentage	%	100	100	100	
24	The percentage of signing contracts related to the protection of female employees' special rights and interests	%	100	100	/	
25	Employee wage protection related agreement signing percentage	%	100	100	/	
26	Social Insurance and Provident Fund contribution percentage	%	100	100	/	
27	Number of Individual awards	item	275	208	/	
28	Number of Group awards	item	122	83	/	
29	Equity vested incentivize employee numbers	person	212	220	220	
30	Vested restricted shares	million shares	3.38	2.83	5.00	
31	Ratio of the total share capital	%	0.25	0.34	2	
32	Hours of training per capita	hour	160.46	155.65	183.93	
33	Hours of training per capita by gender	Male employees average hours of training	hour	160.46	155.65	183.93
		Female employees average hours of training	hour	160.46	155.65	183.93
34	Hours of training per capita by category	Senior management average hours of training	hour	121	104.94	112
		Junior and Middle management average hours of training	hour	215.17	169.59	201.63
		Non-management staff average hours of training	hour	157.23	154.99	182.03
35	Total hours of training for employees	hour	876,282.26	778,730.74	649,272.90	
36	Total hours of training for employees by gender	Male	hour	595,474.06	523,148.91	429,108.69
		Female	hour	280,808.30	255,581.83	220,164.21
37	Year-over-year increase rate of training hours for employees	%	12.53	19.94	29.89	
38	Number of employee trained	person	5,461	5,003	3,529	
39	Number of employee trained by gender	Male	person	3,711	3,361	2,332
		Female	person	1,750	1,642	1,197
40	Number of employee trained by category	Number of senior management trained	person	9	8	8
		Number of junior and middle management trained	person	310	253	190
		Number of non-management staff trained	person	5,142	4,742	3,331
41	Percentage of employee trained	%	100	100	100	
42	Percentage of employee trained by gender	Male	%	67.95	67.18	/
		Female	%	32.05	32.82	/



Indicator		Unit	Year of 2023	Year of 2022	Year of 2021	
43	Percentage of employee trained by category	Proportion of senior management trained	%	0.16	0.16	/
		Percentage of junior and middle management trained	%	5.68	5.06	/
		Percentage of non-management staff trained	%	94.16	94.78	/
44	Employee training activities	item	1,057	677	/	
45	Percentage of employees covered by business ethics training	%	100	100	/	
46	Number of emergency drills	times	80	37	14	
47	Number of comprehensive emergency rescue drills	times	3	2	1	
48	Number of special drills for hazardous chemical leaks	times	8	2	1	
49	Number of special fire emergency drills	times	21	13	4	
50	Number of on-site emergency response drills	times	49	19	8	
51	Emergency drill for confined space accidents	times	2	1	/	
52	Comprehensive employee satisfaction	%	86.89	86.74	/	

## Contributing to Society, Shouldering Responsibilities

Indicator		Unit	Year of 2023	Year of 2022	Year of 2021
1	Amount of community investment	RMB million	0.69	1.21	2.14
2	Number of employees from the former national poverty county district	person	2,312	2,296	2,062
3	Cumulative number of scholarship offered	person-time	1,060	914	840
4	Cumulative amount of scholarship	RMB million	3.76	3.08	2.20
5	Total tax contribution since the Company was established <sup>27</sup>	RMB million	982	830	645

<sup>27</sup> The statistical criteria for the total tax contribution is the total tax paid by the Company in Ganzhou and Baotou.

## Appendix: Content Index of the *Environmental, Social and Governance Reporting Guidelines* of the Hong Kong Stock Exchange

Subject Areas, Aspects, General Disclosures and KPIs		Response
Mandatory Disclosure Requirements		
Governance Structure	<p>A statement from the Board containing the following elements:</p> <p>(i) a disclosure of the Board's oversight of ESG issues;</p> <p>(ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and</p> <p>(iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.</p>	Chairman's Statement
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/ or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	<p>About this Report</p> <p>Reporting principles</p>
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>About this Report</p> <p>Reporting scope</p> <p>Reporting period</p>
<b>"Comply or explain" Provisions</b>		
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations</p>	<p>Deepening Environmental Management, Showing Ecological Landscape</p> <p>Strengthening the Management of Three Types of Wastes</p>

Subject Areas, Aspects, General Disclosures and KPIs		Response
KPI A1.1	The types of emissions and respective emissions data.	Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Embracing "Dual Carbon" Strategy, Leading Low-Carbon Development Setting Environmental Goals
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Embracing "Dual Carbon" Strategy, Leading Low-Carbon Development Setting Environmental Goals Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (KWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	With the continuous development of the Company's business, we will deepen to discuss and set realistic water use targets, to help the company fully realize green transformation.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production



Subject Areas, Aspects, General Disclosures and KPIs		Response
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Embracing “Dual Carbon” Strategy, Leading Low-Carbon Development Preventing Climate Risks
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Embracing “Dual Carbon” Strategy, Leading Low-Carbon Development Preventing Climate Risks Creating Low-Carbon Products
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee Supporting the Development of Employee Caring for Our Employee
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Compacting Safety Responsibilities, Buiding Safety Barriers Insuring Occupational Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Compacting Safety Responsibilities, Buiding Safety Barriers Improving the management system
KPI B2.2	Lost days due to work injury.	Compacting Safety Responsibilities, Buiding Safety Barriers Improving the management system
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Compacting Safety Responsibilities, Buiding Safety Barriers Ensuring Production Safety Insuring Occupational Health
<b>Aspect B3: Development and Training</b>		

Subject Areas, Aspects, General Disclosures and KPIs		Response
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work.</p> <p>Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Supporting the Development of Employee</p>
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Supporting the Development of Employee</p>
KPI B3.2	The average training hours completed per employee by gender and employee category.	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Supporting the Development of Employee</p>
<b>Aspect B4: Labour Standards</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p>	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Protecting the Rights and Interests of Employee</p>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Protecting the Rights and Interests of Employee</p>
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<p>Practicing People-Oriented Philosophy, Join Hnads to Win Together</p> <p>Protecting the Rights and Interests of Employee</p>
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Responsible Supply Chain</p>
KPI B5.1	Number of suppliers by geographical region.	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Responsible Supply Chain</p>
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Responsible Supply Chain</p>
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Responsible Supply Chain</p>
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Responsible Supply Chain</p>
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	<p>Stressing Quality Assurance, Consolidating Product Advantages</p> <p>Optimizing Customer Services</p>

Subject Areas, Aspects, General Disclosures and KPIs		Response
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Stressing Quality Assurance, Consolidating Product Advantages Focusing on R&D Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Stressing Quality Assurance, Consolidating Product Advantages Strictly Controlling Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services
<b>Aspect B7: Anticorruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
<b>Community</b>		
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contributing to Society, Shouldering Responsibilities Engaging in Community Welfare
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contributing to Society, Shouldering Responsibilities Supporting Education Serving Rural Revitalization Engaging in Community Welfare Protecting Natural Environment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Contributing to Society, Shouldering Responsibilities Serving Rural Revitalization Engaging in Community Welfare



## Appendix: GRI Standard Content Index

Numbering	content	Disclose location
101	Reporting Basics, containing the reporting principles needed to define the content and quality of the report	About this Report Reporting principles
102	Company Profile	About JL MAG Company Profile ESG Honors and Awards ESG Highlight Performance
<b>Economy</b>		
201	Economic performance	Chairman's Statement
202	Market performance	Not Applicable
203	Indirect Economic effects	Contributing to Society, Shouldering Responsibilities Supporting Rural Revitalization Participating in community welfare
204	Purchasing Practices	Stressing Quality Assurance, Consolidating Product Advantages Responsible Supply Chain
205	Fighting corruption	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
206	Anticompetitive behavior	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics
207	Taxes	About JL MAG ESG Honors and Awards
<b>Environment</b>		
301	Materials	Embracing "Dual Carbon" Strategy, Leading Low-Carbon Development Setting Environmental Goals Stressing Quality Assurance, Consolidating Product Advantages Responsible Supply Chain
302	Energy	Embracing "Dual Carbon" Strategy, Leading Low-Carbon Development Setting Environmental Goals Creating Low-Carbon Products Deepening Environmental Management, Showing Ecological Landscape Optimizing Resource Utilization
303	Water Resources and Sewage	Deepening Environmental Management, Showing Ecological Landscape Optimizing Resource Utilization Strengthening the Management of Three Types of Wastes

Numbering	content	Disclose location
304	Biodiversity	Deepening Environmental Management, Showing Ecological Landscape Advancing Green Production
305	Emissions	Embracing “Dual Carbon” Strategy, Leading Low-Carbon Development Creating Low-Carbon Products Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
306	Waste	Deepening Environmental Management, Showing Ecological Landscape Strengthening the Management of Three Types of Wastes
308	Supply chain environmental assessment	Embracing “Dual Carbon” Strategy, Leading Low-Carbon Development Setting Environmental Goals Stressing Quality Assurance, Consolidating Product Advantages Responsible Supply Chain
<b>Society</b>		
401	Hire	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
402	Labor relations	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
403	Occupational and Health Safety	Compacting Safety Responsibilities, Buiding Safety Barriers Insuring Occupational Health
404	Training and Education	Compacting Safety Responsibilities, Buiding Safety Barriers Ensuring the Production Safety Practicing People-Oriented Philosophy, Join Hnads to Win Together Supporting the Development of Employee
405	Diversity and equality of opportunity	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
406	Anti-discrimination	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
407	Freedom of Association and collective bargaining	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
408	Child labor	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
409	Forced and compulsory labor	Practicing People-Oriented Philosophy, Join Hnads to Win Together Protecting the Rights and Interests of Employee
410	Security practice	Not Applicable

Numbering	content	Disclose location
411	Aboriginal Rights	Not Applicable
413	Local community	Contributing to Society, Shouldering Responsibilities Engaging in Community Welfare
414	Supplier social evaluation	Abiding by Compliance, Forging Foundation for Development Adhering to Business Ethics Stressing Quality Assurance, Consolidating Product Advantages Responsible Supply Chain
415	Public Policy	Not Applicable
416	Customer health and safety	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services
417	Marketing and signage	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services
418	Customer privacy	Stressing Quality Assurance, Consolidating Product Advantages Optimizing Customer Services





Dear readers:

Hello!

Thank you for taking your precious time to read JL MAG RARE-EARTH CO., LTD. 2023 Environmental, Social and Governance Report. We cordially invite you to fill out the feedback form and tell us your valuable comments on JL MAG's ESG performance and report to help us further improve our ESG management capability. You can give us valuable feedback by scanning the QR code on the right or contact us by email.

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Scan the QR code and give us your valuable feedback