

2021

Environmental, Social  
and Governance Report

JLMAG  
Rare-Earth



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# Description of Report Preparation (About Report)

This is the first environmental, social and governance report released by JL MAG RARE-EARTH CO., LTD. (hereinafter referred to as "JL MAG", "the Company" or "we") (JL MAG has published corporate social responsibility reports in 2019 and 2020 respectively). This report reviewed the practice and achievement of JL MAG in fulfilling economic, environmental and social responsibilities in the process of corporate development and operation.

## Scope of Report

Organizational scope: This report covers JL MAG RARE-EARTH CO., LTD. and its major subsidiaries.

Reporting period: From Jan.1, 2021 to Dec. 31, 2021 (Some contents are beyond this reporting period).

Release cycle: This is an annual report.

## Report Preparation Basis

International Standard ISO 26000: 2010, *Guidance on Social Responsibility*

Global Sustainable Development Standards Limited-*GRI Sustainable Development Reporting Standards* (GRI Standards)

Stock of Exchange Hong Kong Committee-*ESG Reporting Guidelines (2020)*

Shenzhen Stock Exchange-*Disclosure Requirements of Social Responsibility Report of Listed Companies*

## Report Data Description

The report sees no significant change in the methodology for obtaining and calculating data compared with previous annual reports. The financial information contained in this report is derived from audited financial statements prepared in accordance with *International Financial Reporting Standards (the "IFRS")*. The monetary amount involved in this report is measured in RMB, unless otherwise specified.

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# Chairman's Statement



2021 is the beginning of the "14th Five-Year Plan" and the beginning of a new journey of building a socialist modern country in an all-round way. Over the past year, facing the complex situation of twists and hope, JL MAG has overcome difficulties and forged ahead, fulfilled its social responsibilities and created ESG value, continued to improve its business performance and handed over a satisfactory answer to a wide range of stakeholders.

**Adhere to value orientation and pursue long-termism.** In 2021, JL MAG continued to move forward steadily, promoted corporate governance, adhered to long-termism and implemented the concept of "customer-focused", committed to growing into a global leader in the rare earth permanent magnet industry. In 2021, JL MAG achieved revenue of RMB4,080.07 million and profit for the year attributable to owners of the parent of RMB453.22 million, with a year-on-year (YoY) growth of 68.78% and 85.37% respectively. JL MAG has achieved substantial growth for consecutive years and has created remarkable returns for shareholders with highly incremental dividends.

**Strengthen innovation guidance and improve the quality of development.** Guided by the vision of "growing into the leading enterprise in the world rare earth permanent magnet industry", JL MAG has always adhered to product and R&D innovation. The Company improves the scientific and technological innovation management system, builds a talents team of scientific research and innovation, and continues to promote high-quality development through scientific and technological innovation, develops into the leading enterprise of scientific and technological innovation brand in the domestic product industry. In 2021, the R&D expenses of the Company is approximately RMB160.16 million.

**Protect the rights and interests of employees and advance together with employees.** JL MAG sincerely appreciates the efforts of its employees. We deeply understand that the development of an enterprise is inseparable from the unity and efforts of all employees. Over the past year, we worked side by side with the team and achieved remarkable performance. JL MAG pays attention to empowering employee's growth and value realization, implements equity incentive plan to encourage the employees to innovate, fulfills the "people-oriented" concept and improves the cohesion of the whole team.

**Contribute to "Carbon Peak and Carbon Neutrality" goals and promote green development.** JL MAG attaches importance to environmental and climate change risks, strengthens the climate change risk identification and response, and actively promotes carbon neutrality action. JL MAG advocates green operation, strengthens the management and recycling of energy, resources and waste, and promotes green development. Through the production and supply of high-performance NdFeB permanent magnets ("PMs"), JL MAG continues to play an important role in the global environmental protection industries such as new energy vehicles ("NEVs"), energy-saving variable-frequency air-conditioners ("VFACs"), wind power generation and strives to achieve carbon peak and carbon neutrality in China and around the world.

**Calm is the tide and the banks are broad, gentle is the wind and the sail is stretching.** 2022 is an important year for JL MAG to accumulate momentum for transformational development. All employees bear in mind the great entrustment of President Xi Jinping's "Scientific and Technological Innovation is the Lifeblood of the Enterprise". JL MAG focuses on the main business of rare earth permanent magnets ("REPMs"), strengthens technological innovation, extends the industrial chain, explores additional application fields and serves new global customers to realize the transformational development. Meanwhile, we will make every effort to strengthen operation and management to repay investors and society with brilliant performance. We will strengthen the improvement of ESG, further commit ourselves to the construction of green factory and earnestly fulfill the social responsibility of enterprises, pursuing green development and sustainable development, committing to realizing the Company mission of "Better Life with Rare Earth".

Cai Baogui

Co-Founder, Chairman & General Manager

# About JL MAG

## Company Profile

Established in August 2008, JL MAG is a high-tech enterprise integrating R&D, production and sales of high-performance NdFeB REPMs, and is the leading supplier of high-performance REPMs in the fields of new energy and energy conservation and environmental protection. JL MAG was listed on the ChiNext Market of Shenzhen Stock Exchange in September 2018 (stock code: 300748.SZ), and was officially listed on the main board of the Stock Exchange of Hong Kong in January 2022 (stock code: 6680.HK).

The products are widely applied in the fields of NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, industrial energy-saving motors, energy-saving elevators and rail transit and has established long-term and stable cooperative relations with the leading enterprises at home and abroad in various fields.

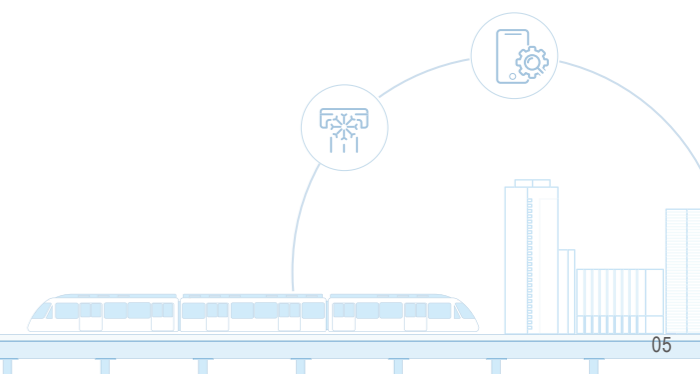
During the reporting period, the revenue of JL MAG is RMB4,080.07 million, with a year-on-year increase of 68.78%, the profit for the year attributable to owners of the parent is RMB453.22 million, with a year-on-year increase of 85.37%, profit margin for the year is 11.13%, with a year-on-year increase of 1.01 percentage points ("pcts").

According to the data from Frost & Sullivan, JL MAG produced 4,111 tonnes of high-performance REPMs using grain boundary diffusion ("GBD") technology in 2020, ranking first in the REPM market of GBD in the world, with a market share of about 21.3%. In 2021, JL MAG produced 6,064 tonnes of high-performance REPMs using GBD technology, up by 47.51% year on year, accounting for 58.73% of JL MAG's total product output during the same period, an increase of 16 percentage points over the same period of the previous year.

In 2021, JL MAG's revenue in the field of NEVs and automotive parts reached RMB1,050.68 million, an increase of 222.73% over the same period of last year. The Company's sales volume of magnetic steel products for NEV drive motors can assemble approximately 1.24 million new energy passenger vehicles. JL MAG's revenue in the field of energy-saving VFACs reached RMB1,400.09 million, an increase of 59.41% over the same period of last year. The Company's sales volume of magnetic steel products for energy-saving VFACs can be equipped with 48.50 million VFAC compressors. JL MAG's revenue in the field of wind power reached RMB887.10 million, the sales volume of the Company's magnetic steel products for wind power products can be assembled with an installed capacity of 8.65GW in 2021. Products are directly supplied in downstream industries of new energy and energy conservation and environmental protection. In 2021, JL MAG's revenue in these fields accounts for 81.81% of total revenue, which reduced carbon emissions of about 34.44 million tonnes/year. We continue to grow our strengths in order to make a greater contribution to the country's "Carbon Peak and Carbon Neutrality" goals.



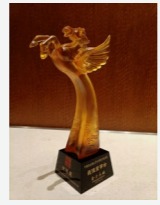




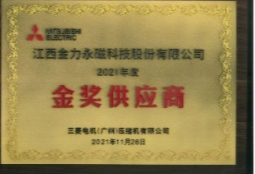



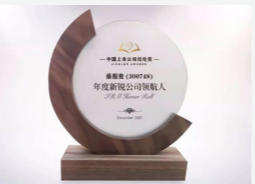
JL MAG is committed to our mission of "Better Life with Rare Earth" and facilitates the pursuit of carbon peak and carbon neutrality both in China and around the world through our production and provision of high-performance NdFeB PMs. We uphold our core value of "Customer Orientation and Value Co-creation" and implement the distribution and incentive mechanism of "co-building a platform and sharing achievements" to combine knowledge with action.

In 2021, the management of JL MAG regarded value creation as the starting point and foothold of the Company's operation and management. JL MAG led all employees to forge ahead, marched forward to the forefront of the industry, strived to enhance the strength of the listed company, and made great efforts to return investors and society with brilliant performance. Abiding by the business philosophy of "leading technology, reliable quality, on-time delivery, upgraded management (service), capital facilitation, and transformational development", JL MAG forged ahead with determination for innovations in terms of production, and actively undertook social responsibility in operation in pursuit of the win-win of enterprise economic value and social value, thus contributing magnetic power to the great cause of "Carbon Peak and Carbon Neutrality".



## Honors and Awards

JL MAG received recognition from local governments, third-party companies, institutions and media organizations due to its achievements in corporate governance, quality and technology. The following table sets forth major awards and recognitions we received in 2021.

<p>Jan. 2021</p>  <p>"Technical Support Award" and "Quality Credit AAAAA Supplier" of 2020</p> <p>Goldwind Technology</p>	<p>Feb. 2021</p>  <p>The 16th Excellent Board of Directors Award of Listed Companies in China</p> <p>Directors &amp; Boards</p>	<p>May 2021</p>  <p>The 12th Tianma Award for Investor Relations of Listed Companies in China – "Best Board of Directors"</p> <p>Securities Times</p>	<p>May 2021</p>  <p>Ms. Wen Xiaozhen, one of our employees, won the honorary title of "National Labor Medal" and "Most Beautiful Worker" in 2021</p> <p>All-China Federation of Trade Unions and Central Propaganda Department</p>
<p>Jun. 2021</p>  <p>"Best Delivery Award"</p> <p>Goertek</p>	<p>Aug. 2021</p>  <p>"Emerging Power of China Carbon Companies" in the first selection activity of China carbon companies held by Sina Finance</p> <p>Sina Finance and Guotai Junan Research Institute</p>	<p>Oct. 2021</p>  <p>"Global Supplier Award"</p> <p>BOSCH</p>	<p>Nov. 2021</p>  <p>"2021 Gold Supplier"</p> <p>Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.</p>
<p>Dec. 2021</p>  <p>"Best Listed Company Board of Directors" Award in the 11th China Listed Company Reputation List</p> <p>Daily Economic News</p>	<p>Dec. 2021</p>  <p>"2021 Potential Growth 'Star' Company" award in the survey of "Competitiveness and Credibility of Listed Companies in China"</p> <p>Chinese Securities Journal</p>	<p>Dec. 2021</p>  <p>The project about "Research and Industrialization of Key Technologies for High Temperature Resistant, Low Heavy Rare Earth and High-Performance Rare Earth Permanent Magnet Materials" won the First Prize of Science and Technology Progress of the Rare Earth Science and Technology Award</p> <p>The Chinese Society of Rare Earths and Association of China Rare Earth Industry</p>	<p>Dec. 2021</p>  <p>Mr. Cai Baogui, Chairman of JL MAG, won the "Leader of Annual Emerging Companies" of Jinglun Awards</p> <p>China Fund News</p>

## 2021 Chronicle of Events



- In October 2021**

The Company announced to establish green power cooperation with Xinjiang Goldwind Science And Technology Co., Ltd. ("Goldwind Technology") to jointly build a photovoltaic power plant project of no more than 15MW.
- In January 2021**

The Company successfully accomplished the issuance of stocks to specific objects, raised funds amounting to RMB521 million in total, and issued 15.73 million shares.
- In March 2021**

The blank production capacity of the Company reached 15,000 tonnes per year, the production facility is transforming from single factory to a group of factories in multiple places.
- In July 2021**

The Company obtained grade A (excellent) evaluation results in the 2020 information disclosure assessment of listed companies on Shenzhen Stock Exchange.
- In September 2021**

Ningbo plant launched construction. At completion date, the designed annual production capacity of its high-performance NdFeB PM blanks will reach 3,000 tonnes and the annual output of high-performance NdFeB PM components will reach 100 million pieces/set.
- In November 2021**

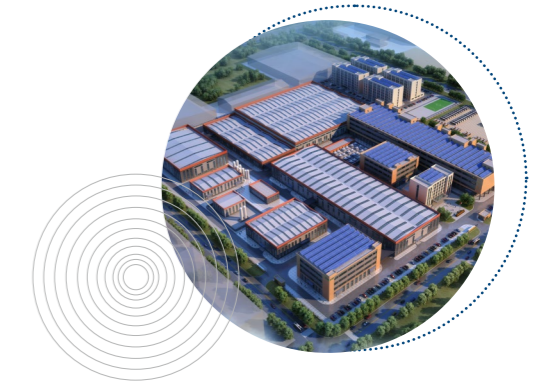
The Company's stock (300748. SZ) was brought into China's A-share onshore index by MSCI.

The Company's initial public offering of overseas listed foreign shares (H shares) was approved by the CSRC.
- In December 2021**

The Company's initial public offering of overseas listed foreign shares (H shares) went through the hearing of the Hong Kong Stock Exchange.

The Company received notice from the vehicle-mounted business unit of NIDEC CORPORATION ("NIDEC") and became its designated supplier of REPMs.

The first phase of Baotou project received completion acceptance, the production capacity of high-performance NdFeB PMs is expected to reach 8,000 tonnes per year.



# Brilliant Performance



## Products and Capacity



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

**1.24** million passenger NEVs

Facilitating to reduce carbon emissions by approximately

**2.56** million tonnes/year



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

**48.50** million VFAC compressors

Facilitating to reduce carbon emissions by approximately

**17.55** million tonnes/year



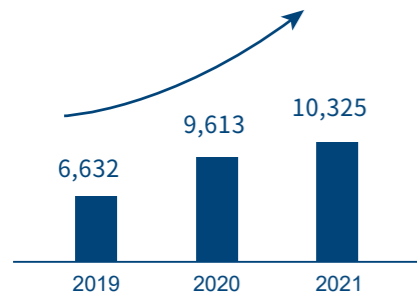
The sales volume of the Company's magnetic steel products for wind power sector can equip wind turbine generators with an approximate aggregate installed capacity of **8.65** GW

Facilitating to reduce carbon emissions by approximately

**14.33** million tonnes/year

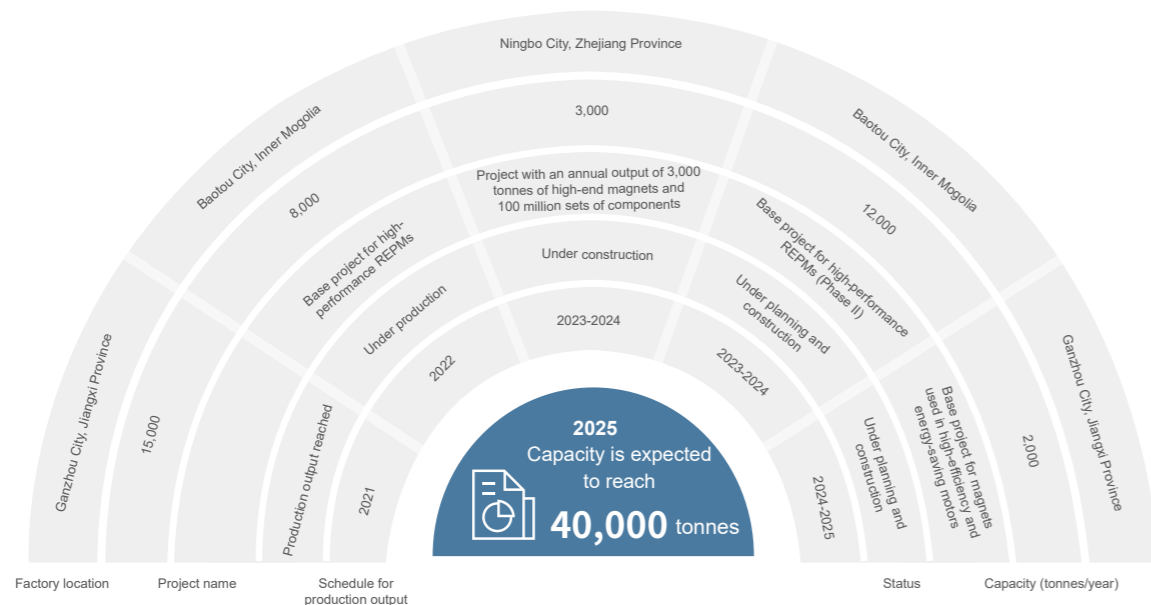
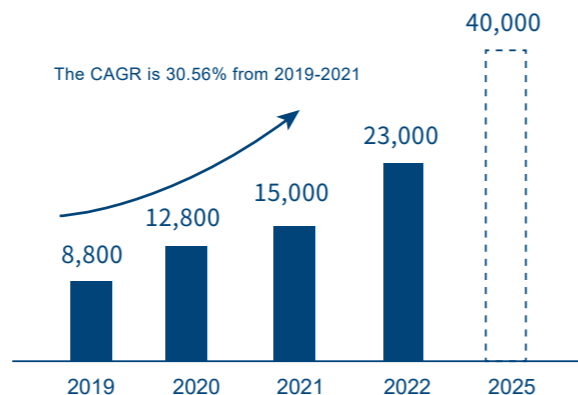
### Production volume of high-performance REPM finished products (tonne)

The CAGR is 24.77% from 2019-2021



### Annual production capacity of high-performance NdFeB PM blanks (tonne)

The CAGR is 30.56% from 2019-2021



## Economic Contribution

During the reporting period,



JL MAG achieved an revenue of RMB **4,080.07** million increased by **68.78** % YoY

Return on Equity increased by **5.98** pcts YoY **23.10** %



Achieved the profit for the year attributable to owners of the parent of RMB **453.22** million increased by **85.37** % YoY

Profit margin for the year increased by **1.01** pcts YoY **11.13** %

In 2020, JL MAG produced **4,111** tonnes of high-performance REPMs using GBD technology, ranking **first in the world** in the REPM market of GBD, with a market share of about **21.3**%.

In 2021, JL MAG produced **6,064** tonnes of high-performance REPMs using GBD technology, accounting for **58.73**% of JL MAG's total product output during the same period an increase of about **16 pcts** over the same period of last year.

In 2021, the output of the Company's ultra-high grade products is **3,437** tonnes. Ultra-high grade products refer to the Company's sintered NdFeB Permanent Magnets using grain boundary diffusion technology, the sum of the intrinsic coercivity (H<sub>cj</sub>, kOe) and the maximum energy product ((BH)<sub>max</sub>, MGOe) being greater than 75.

JL MAG's revenue in the field of NEVs and automotive parts reached RMB **1,050.68** million, an increase of **222.73** % over the same period of last year;

JL MAG's revenue in the field of energy-saving VFACs reached RMB **1,400.09** million, an increase of **59.41** % over the same period of last year;

JL MAG's revenue in the field of wind power generation reached RMB **887.10** million. Flat over the same period of last year

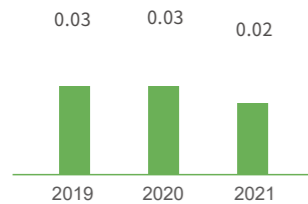
Our products are directly supplied to the downstream industries of new energy and energy conservation and environmental protection. In 2021, our revenue in the above three areas accounted for 81.81% of the total revenue, contributing to the reduction of carbon emissions by approximately 34.44 million tonnes. We continue to grow our strengths in order to make a greater contribution to the country's "Carbon Peak and Carbon Neutrality" goals.

## Carbon Emission Reduction

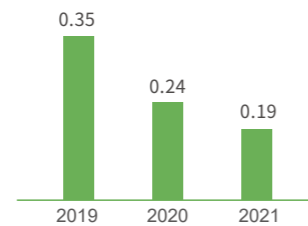


	2019	2020	2021
Total GHG <sup>1</sup> emissions <sup>2</sup> (tCO <sub>2</sub> e)	51,812	73,971	91,005
Scope I (tCO <sub>2</sub> e)	558	2,177	2,562
Scope II (tCO <sub>2</sub> e)	51,254	71,793	88,443
Water consumption (tonne)	576,571	551,868	732,345
Power consumption (MWh)	97,496	136,568	168,239
Natural gas consumption(m <sup>3</sup> )	258,078	1,007,188	1,184,947

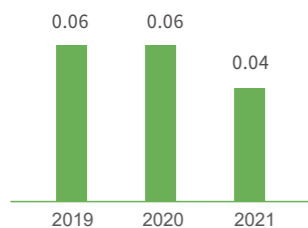
Unit GHG emissions<sup>3</sup>  
(tonne/RMB1,000)



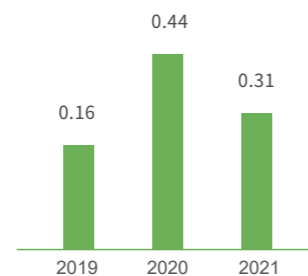
Unit water consumption  
(tonne/RMB1,000)



Unit power consumption  
(MWh/RMB1,000)



Unit natural gas consumption  
(m<sup>3</sup>/RMB1,000)



We continued to increase the proportion of green products in our supply chain, and have obtained SCS Recycled Content Certified.

<sup>1</sup> GHG represents Greenhouse gas emissions

<sup>2</sup> Greenhouse gas emissions include scope I and scope II. Direct emissions in scope 1 include greenhouse gases from our fossil fuel combustion. Indirect energy emissions in scope 2 include greenhouse gases from the use of electricity.

<sup>3</sup> Calculated as emissions/consumption volume divided by annual product sales revenue.

## Clients



### In the field of NEVs and automotive parts



As a global leading supplier of magnetic steel for drive motor in NEV industry, the Company's products are adopted by eight of the top ten NEV manufacturers. The Company is a drive motor magnet supplier of Tesla, BYD, UAES, Nidec and other NEV brands. In addition, SAIC Motor, NIO, and Li Auto are among our end-users. The Company have also been certified as a automotive parts supplier of Bosch Group for many years, and as a NdFeB PMS supplier to the NEV platforms of Volkswagen and General Motors.

### In the field of energy-saving VFACs



The Company is a significant magnetic steel supplier of well-known brands such as Midea, Gree, HIGHLY, Mitsubishi Electric, and the top five manufacturers of VFACs in the world have maintained friendly cooperation with the Company for many years.

### In the field of wind power generation



Four of the world's top five wind turbine producers are the Company's customers, including Goldwind Technology and Siemens-Gamesa.

### In the field of energy-saving elevator

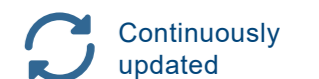


The Company is an important magnet supplier for top elevator manufacturers such as KONE and Shanghai Mitsubishi Elevator.

### In the field of industrial energy-saving motors



The Company is a supplier to Bosch Rexroth.



## Environmental, Social and Corporate Governance

JL MAG continues to improve relevant systems and policies on environmental, social and corporate governance (ESG) and is committed to protecting the environment and fulfilling corporate social responsibility, so as to identify and evaluate the impact of climate-related matters and take countermeasures.

### An ESG Leader, Disseminator and Practitioner

The Board of Directors and the management actively promote the spread and implementation of JL MAG's ESG concept, setting an example in building ESG culture as a leader, disseminator and practitioner.

In order to meet the needs of JL MAG's strategy and sustainable development goals, standardize JL MAG's ESG work process, the Board of Directors of JL MAG revised the *Working Rules of the Strategy Committee of the Board of Directors* to clarify that the Strategy Committee is responsible for JL MAG's sustainable development and ESG work, including conducting ESG research and making corresponding suggestions, evaluating the materiality of ESG issues, supervising ESG information disclosure, and reporting to the Board of Directors.

### Materiality Analysis Matrix

Under the supervision of the Board of Directors, the management identified material ESG issues closely related to the Company's business through analysing national policies, industry trends and the Company's development plans as well as conducting stakeholder inquiries. A materiality analysis matrix was formed and then confirmed by the Board of Directors.

Through materiality analysis of company development and the judgment of the management, JL MAG identified the key processes, determined the relevant requirements of the process, and designed the process flow according to the requirements, in order to create maximum value for the stakeholders, such as shareholders, clients, employees, suppliers and the society.



## Communication with Stakeholders

Following the principles of "mutual benefit win-win, common development", JL MAG has established sound cooperative relations with partners, suppliers, employees, customers, society and shareholders to implement the Company's strategies.

The relationship between JL MAG and all the stakeholders is summarized in the table:

Main Stakeholders	Communication Matters	Means of Communication and Response
Client	Product quality High-quality service Safeguarding rights and interests	Customer satisfaction survey Company telephone/Email/Mobile
Employee	Compliance employment Compensation and benefits Occupational health and safety Empowerment and career development	Labor union activities Employee training
Shareholder/Investor	Business performance Compliance management Risk prevention	General Meeting of Shareholders Information disclosure Roadshows and reverse roadshows On-site surveys Online communication
Supplier	Transparent procurement Honest transaction	Supplier meeting Supplier contract
Government	Prompting employment Promoting local economy Compliant operation Green production	Invitation for visiting and investigation
Industry/Standards Association	Product responsibility Concerted progress	Participating in setting standards Industry exchanges and sharing Carrying out school-enterprise cooperation
Community	Green production Social welfare Volunteer programs	Volunteering activities Charitable donation



# 01

## Helping China Achieve “Carbon Peak and Carbon Neutrality” Goals

To cope with climate changes, countries around the world have taken positive actions in promoting new energy and reducing carbon emissions. In 2020, the Chinese government announced that it would achieve carbon peak by 2030 and carbon neutrality by 2060. In order to achieve these goals, the specific targets are proposed in the “14th Five-Year Plan”. As a core components supplier in the field of new energy , energy conservation and environmental protection, JL MAG will take practical actions to promote the realization of national carbon neutrality and goals of “14th Five-Year Plan”.

REPMs have inherent advantages in reducing carbon emissions. Compared with traditional motors, REPM motors can help to save 15% to 20% of energy. In addition, NEVs and automotive parts, frequency conversion household appliances, and 3C intelligent electronic products can become more lightweight and miniaturized due to the application of REPMs. The proposal of the carbon neutrality goal increases the demand for REPMs in the downstream industry, and the booming development of the industry has driven the strong growth prospects of JL MAG.

In the future, JL MAG will adhere to the concept of deepening green and low-carbon development in business operation. In addition to contributing REPMs to help China achieve the goal of "Carbon Peak and Carbon Neutrality", it will actively cooperate with leading energy companies including Goldwind Technology to carry out green power plan according to business needs.

Proportion of used recycling rare earth metals (PrNd, Dy, Tb)	<b>About 24.25%</b>
Decrease in usage of medium and heavy rare earth due to the use of GBD technology	<b>50%~70%</b>
Total GHG emissions (tCO <sub>2</sub> e)	<b>91,005</b>
	<b>Scope I: 2,562</b>
	<b>Scope II: 88,443</b>
*Unit GHG emissions (tonne/RMB1,000)	<b>0.02</b>
*Unit power consumption (MWh/RMB1,000)	<b>0.04</b>

\*Note: During the reporting period, total GHG emissions are classified in two scopes. Scope I are direct GHG emissions from fossil fuel combustion, and indirect emissions in scope II mainly come from purchased power. GHG emission data is presented according to carbon dioxide equivalent. GHG emissions in scope I are calculated by multiplying fossil fuel consumption by emission factor, and GHG emissions in scope II are calculated by multiplying purchased electricity by emission factor. The emission factor refers to the *Average Carbon Dioxide Emission Factor of China's Regional Power Grid* in 2011 and 2012 issued by the National Development and Reform Commission.

\*Calculated as emissions/consumption divided by annual product sales revenue.

\*Statistical Scope: January 1, 2021~December 31, 2021

## Climate Risk Prevention

According to 2021 Global Risks Report of the World Economic Forum, climate risk will be a major risk in the coming period. Through identification and evaluation of climate-related issues, JL MAG believes that the risks pose a certain degree of threat to its operation, which is mainly reflected in physical and transition risks.

### • Physical Risk

Climate-related issues could lead to more severe extreme weather events, such as more frequent storms, typhoons and floods. In addition, they may cause the potential impact on the increase in operational and maintenance costs and insurance investment. The health and safety of employees may also be at risk.

### • Transition Risk

Consumers may prefer sustainable lifestyles and products as a result of climate change and climate-related issues, and regulatory institutions are likely to require more disclosure on emissions.

Therefore, JL MAG actively carries out sustainable transformation of its business model, and is committed to saving resources and reducing emissions in the production process.

01

Entrusting a third-party service provider to extract rare earth metals from waste materials as well as waste REPMs collected from customers for reuse, so as to save rare earth resources and improve profitability.

Reuse recycled metals (PrNd, Dy, Tb) as much as possible, the recycled raw material (PrNd, Dy, Tb) accounts for about

**24.25%**

02

Carrying out the R&D of raw material formula and continuously developing technology to reduce the amount of medium and heavy rare earth used in production while maintaining the performance of high-performance NdFeB PMs:

1. Our GBD technology is regarded as one of the most advanced technology in the global REPMs industry

According to the data from Frost & Sullivan, the GBD technology can generally reduce the use of medium and heavy rare earth by 50% to 70%, thus reducing the costs of raw material while maintaining high performance at high operating temperature.

The GBD technology can generally reduce the use of medium and heavy rare earth

by **50% to 70%**

2. Optimizing the product formula

Assisting the customers in wind power and other industries to reduce production costs by reducing the use of medium and heavy rare earth in the production of high-performance NdFeB PMs.

In addition, JL MAG's products are widely used in new energy and environmental protection fields.

In 2021, the high-performance NdFeB PM finished products output by JL MAG can assemble about



**1.24** million passenger NEVs



**48.50** million energy-saving VFACs compressors



**8.65**GW installed capacity of wind turbine generators



Reducing carbon emissions by about **34.44** million tonnes/year

## Carbon Neutrality Path

In order to better manage the risks in terms of environment, society and climate, JL MAG plans to gradually reduce GHG emissions and resource consumption in the future.

The Board of Directors of the Company attaches great importance to ESG management and they revise the *Working Rules of the Strategy Committee of the Board of Directors*, specifying that the Strategy Committee is responsible for the Company's sustainable development and ESG work. Meanwhile, a working group on carbon peak and carbon neutrality has been established, with the senior management as the chief carbon reduction officer, responsible for formulating plans and taking measures to reduce GHG emissions and energy consumption. The overall implementation plan for carbon neutrality has been completed currently.

The Company plans to increase the use of green energy, strengthens the recycling of raw materials and carries out energy improvement week activities, so as to reduce unit emission / energy consumption by 5% - 10% every year until the long-term goal of carbon neutrality is achieved.

Therefore, JL MAG's administrative expenses on environment, society and climate will increase as the overall business continues to develop. However, considering the fast-growing of the Company's revenue, the proportion of the administrative expenses to total revenue is expected to decrease.

Reduce unit emission / energy consumption

by **5% - 10%** every year

## Emission

Actively responding to the needs of clients for carbon emission management in the supply chain, JL MAG strengthens its own carbon emission reduction management, and strives to take the lead in achieving low carbon or zero carbon emissions.

With the expansion of production scale, GHG emissions and total resource consumption of JL MAG have increased. However, in 2021, unit greenhouse GHG, unit water consumption, unit power consumption and unit natural gas usage all decreased compared with those in 2020.

## Energy Use

With regard to energy use, about 5% of the power consumed at Ganzhou plant was renewable energy.

In October 2021, the Company announced a green power plan in cooperation with Goldwind Technology, including the construction of photovoltaic power stations of no more than 15 MW at JL MAG's plants (Ganzhou plant, Baotou plant and Ningbo plant).

### Case

#### Green Power Plan in Cooperation with Goldwind Technology

The purpose of the plan is to actively respond to the national call for "Carbon Peak and Carbon Neutrality", implement the concept of low-carbon development, and meet JL MAG's growing demand for green power. The Company cooperated with Goldwind Technology, and the cooperation sites includes but not limited to JL MAG's Ganzhou plant, Baotou plant, and Ningbo plant. The specific cooperation includes but not limited to the use of idle areas such as factory roofs and parking lots to jointly build a photovoltaic power station project of no more than 15MW. The green power generated from the photovoltaic power station is provided to JL MAG for use at market prices, and it is estimated that the annual transaction amount will not exceed RMB10 million.



## Supply Chain Carbon Management

Supply chain emission reduction plays an important role in JL MAG's helping China achieve the "Carbon Peak and Carbon Neutrality" goals. JL MAG is gradually establishing a carbon footprint management system covering the whole life cycle and the whole industrial chain, and cooperating with supply chain enterprises to achieve energy saving and efficiency, green and low-carbon development. During the reporting period, all of the Company's rare earth raw materials are purchased from domestic suppliers.

### Improving Carbon Dioxide Emission Collection System of Suppliers

The mining and smelting of rare earth plays a major role in carbon emissions in the upstream supply chain. In 2021, JL MAG collected emissions data from major raw material suppliers. With a clear picture of the carbon emissions situation in the upstream supply chain, the Company will gradually establish a carbon emission information analysis model for upstream suppliers, and specifically assist them to exploit their potential in carbon reduction, and to realize the green transformation.

### Driving Suppliers to Reduce Their Carbon Footprints

JL MAG established a sound communication mechanism with industrial chain partners to share its own carbon reduction experience and technical solutions to help them establish and enhance carbon reduction capacity. JL MAG attaches importance to strengthen resource recycling, and entrusts a third-party service provider to extract rare earths from magnetic mud wastes and reuse them in the production process.

## Carbon Emission Reduction as a Supplier

As a key supplier in the supply chain of multiple leading companies in the field of carbon emission reduction, JL MAG's products are widely used in the field of sustainable manufacturing, where REPM motors can save 15% to 20% of energy compared to traditional motors. In addition, NEVs and automotive parts, the frequency conversion household appliances, and 3C intelligent electronic products can become more lightweight and miniaturized due to the application of REPMs.

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

**1.24** million passenger NEVs

Facilitating to reduce carbon emissions by approximately

**2.56** 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

**8.65** GW

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

**48.50** million VFAC compressors

Facilitating to reduce carbon emissions by approximately

**17.55** million tonnes/year

Facilitating to reduce carbon emissions by approximately

**14.33** million tonnes/year

JL MAG will continue to optimize the product layout, deepen the carbon emission management of products, and set up data modeling for the carbon emission of each product to realize fine management.

### Case

#### JL MAG Awarded as "Emerging Power of China Carbon Companies"

On August 13, 2021, JL MAG was awarded as the "Emerging Power of China Carbon Companies" in the first selection activity of China carbon companies held by Sina Finance. Ecological prosperity leads to civilization prosperity, and we are ushering in an era in which everything is "carbon". Sina Finance cooperated with Guotai Junan Research Institute to carefully select ten industries highly related with carbon neutrality, such as electrical equipment, steel, coal, nonferrous metals, building materials, new energy, machinery, chemical engineering, public utilities, environmental protection and finally 60 listed companies were selected through voting on the network and by experts. JL MAG was awarded as "Emerging Power of China Carbon Companies" due to its outstanding performance in "Carbon Peak and Carbon Neutrality" field.



02

# Prudent and Compliant Operation

In 2021, JL MAG continued to maintain rapid financial growth and a high-level ROE.

Revenue increased by  
**4,080.07** million **68.78** % YoY

Profit for the year attributable to owners of the parent of increased by  
**453.22** million **85.37** % YoY

Profit margin for the year increased by  
**11.13** % **1.01** pts YoY

Return on Equity Cash dividend distribution plan of  
**23.10** % **RMB 2.50**  
(tax included) per **10** shares

In order to achieve the strategic goal of becoming the global leader in REPMs industry, JL MAG will adopt the following strategies:

Scaling up the production capacity	When the first phase of Baotou project was put into operation, JL MAG's total annual production capacity of high-performance NdFeB PM blanks is expected to reach 23,000 tonnes, and the production base has changed from a single factory to factories in multiple locations. JL MAG plans to increase its production capacity significantly in the next few years and strives to achieve an annual production capacity of 40,000 tonnes of high-performance NdFeB PM blanks by 2025.
Devoting greater effort to R&D and expanding product categories	JL MAG plans to make greater efforts in R&D to improve production technology, enrich current product portfolio and promote cooperation with leading clients in the industry.
Expanding JL MAG's global business presence	JL MAG plans to expand the Company's global business territory, seizes the strategic opportunity period for the upward development of the industry, and actively deploys overseas market business, focusing on the construction of overseas technology communication platform, sales platform and logistics service to improve more global market share.
Implementing the concept of low-carbon development, and actively fulfilling the social responsibility of sustainable development	JL MAG will continue to adhere to the concept of green development in its future business operation. Except for contributing REPM to help China achieve the "Carbon Peak and Carbon Neutrality" goals, it will actively cooperate with leading new energy companies including Goldwind Technology to carry out green power plans according to the business need.



## Corporate Governance

In strict accordance with relevant laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and the *Rules of the Listing of Securities on the Hong Kong Exchanges Limited*, JL MAG resolutely safeguards the legitimate rights and interests of shareholders and creditors, improves the corporate governance mechanism in terms of reasonability and effectiveness, and constantly renews its internal control system according to the latest rules and regulations.

### • Full Implementation and Best Governance Practice

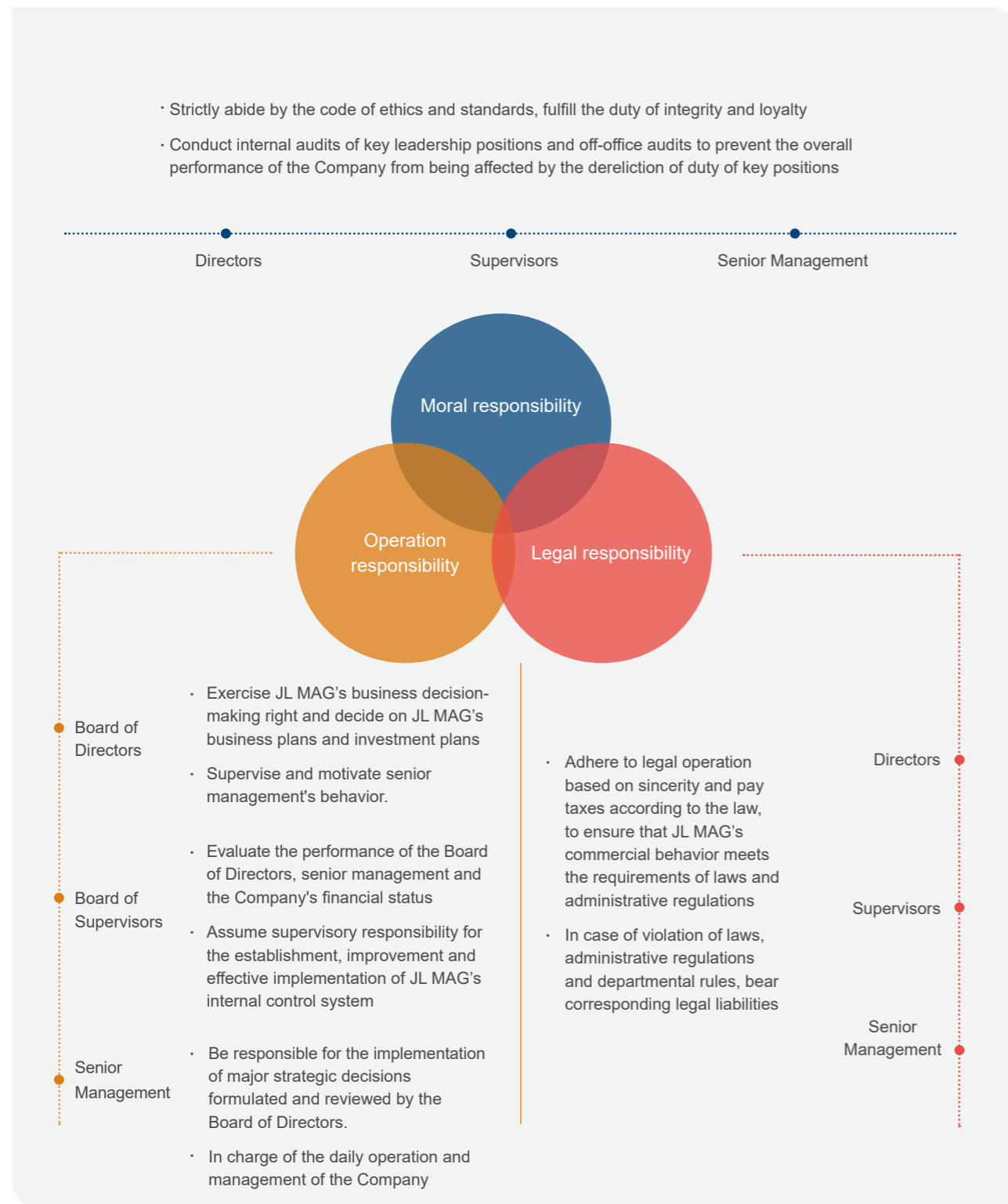
JL MAG has built a modern corporate governance structure composed of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the senior management. Each governing body has clear boundary of rights and responsibilities, with mutual independence, mutual cooperation and mutual checks and balances. The management model of internal audit is verticalized to ensure that the consumption of resources is efficient. The Board of Directors ensures that the Group maintains the sound and effective internal controls to safeguard shareholders' investments and the Group's assets at all times.



<p><b>11</b> meetings of the Board of Directors</p>	<p><b>10</b> meetings of the Board of Supervisors</p>	<p><b>4</b> General Meetings of Shareholders</p>	<p><b>5</b> meetings of Auditing Committee,</p> <p><b>5</b> meetings of Remuneration and Appraisal Committee,</p> <p><b>3</b> Nomination Committee conference</p> <p><b>2</b> meetings of Strategy committee</p>
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● **Management responsibilities of Organizational Behaviors**

According to the governance requirements of listed companies, the senior management has established an efficient corporate governance structure and a scientific internal control management system in the Company.



● **Strengthening the Foundation and Carrying out Party Building**

In order to thoroughly implement the spirit of the 19th National Congress of the Communist Party of China and consolidate and deepen the educational achievements on the theme of "Staying True to Our Original Aspiration and Founding Mission", JL MAG gave full play to the unique red cultural resources of Ganzhou and carried out a series of Party building activities, including watching movies and visiting the Long March Memorial Hall. JL MAG guided all employees to carry forward the revolutionary tradition and inherit the red gene to pinpoint the direction for the development of the enterprise.



● **Persisting on Promoting the Policy on Diversity of the Board of Directors**

JL MAG believes that the diversification of the Board of Directors is an effective way to improve the level of corporate strategic decision-making and reduce operational risks, and is a key to support the sustainable development of enterprises. Therefore, the *Policy on Diversity of Members of the Board of Directors* was formulated to ensure the smooth progress of this work.

As of the end of 2021, JL MAG has a total of nine directors, including three independent directors, all of whom are senior experts in various fields, with rich technical background and management experience, and offer advice and suggestions for JL MAG's development from different perspectives. Currently, the Nomination Committee makes efforts to increase the diversity of members of Board of Directors, and plans to recommend at least one female candidate to the Board of Directors for consideration, making sure at least one female director in the Board of Directors within one year after being listed in the Stock Exchange of Hong Kong.

**Internal Control Compliance**

In 2021, JL MAG will continue to improve the construction of internal control system and deepen internal audit supervision, enhancing the awareness and responsibility of the Board of Directors and other key positions in terms of internal control. In addition, by timely organizing sessions for directors, supervisors and senior managers to learn about the regulatory compliance, JL MAG pays more attention to internal control training and learning, to improve the management level of corporate governance.

**Internal Control Compliance Management System**

The internal control management system of JL MAG consists of the Board of Directors, Auditing Committee, Auditing Department, various functional departments and business units of JL MAG, with a series of management mechanisms such as human resources management, financial reporting management, and related management system documents. The management personnel of JL MAG also carry out special governance campaigns, self-inspection, on-site inspection, internal and external auditing, supervision and correction so as to effectively improve the ability to prevent risks.

<p><b>Human resource management</b></p> <p>Establish a complete human resources management procedure covering the whole process and reasonably align the career of employees with JL MAG's business development, to achieve a win-win result between JL MAG and its employees.</p>	<p><b>Financial report management</b></p> <p>Set up a sound financial management system and sort out the business processes comprehensively to ensure the authenticity, integrity, and timeliness of financial reports. At the same time, hire an accounting firm to conduct audits in accordance with regulations.</p>	<p><b>Supply chain and procurement management</b></p> <p>Set up a Supply Chain Department and a Procurement Department to engage in purchasing materials, formulate the <i>Supplier Management Procedure</i> and <i>Procurement Management Control Procedure</i> and other systems, to better regulate the internal control of purchasing and payment.</p>
<p><b>Funds management</b></p> <p>Establish work-post responsibility system and authorization approval system, strictly follow the principle of separation of incompatible positions, and clearly define the responsibility and authority of relevant departments and positions.</p>	<p><b>Related party transaction management</b></p> <p>Establish the <i>Measures for the Administration of Related Party Transactions</i>, specify the relevant contents, ensure the legality, fairness and rationality of related party transactions between JL MAG and its related parties, and effectively implement control measures within the reporting period.</p>	<p><b>Management of raised funds</b></p> <p>The <i>Measures for the Administration of Raised Funds</i> has been formulated, and the strict application and approval procedures are required for the use and change of purpose of raised funds. JL MAG shall sign <i>Tripartite Supervision Agreement for Raised Funds</i> with the sponsor institution and the special account depository bank to ensure that the special funds are used exclusively.</p>
<p><b>Construction project management</b></p> <p>The project shall be evaluated and certified in all aspects when selected, and according to the relevant regulations, the contents of the internal control of the project covers key steps to effectively prevent the construction risks and frauds.</p>	<p><b>Outbound investment management</b></p> <p>JL MAG fully demonstrates the necessity and feasibility of investment projects in accordance with relevant regulations, and strictly performs the corresponding approval procedures and information disclosure obligations.</p>	<p><b>Sales management</b></p> <p>Formulate the sales and collection management system relating the whole process, and make clear regulations for each step.</p>
<p><b>Assets management</b></p> <p>Establish relevant regulations and systems for assets management, clarify the control process of company assets to assure the correctness, integrity and safety of fixed assets records, and ensure the normal and effective operation of fixed assets.</p>		

● **Internal Control Management System**

JL MAG adopts a series of internal control policies and procedures mainly consisting of the *Articles of Association of JL MAG*, the *Procedural Rules for General Meetings of Shareholders*, the *Procedural Rules for the Board of Directors*, the *Procedural Rules for the Board of Supervisors*, etc., so as to realize effective operation and reliable financial reporting as well as to comply with applicable laws and regulations.

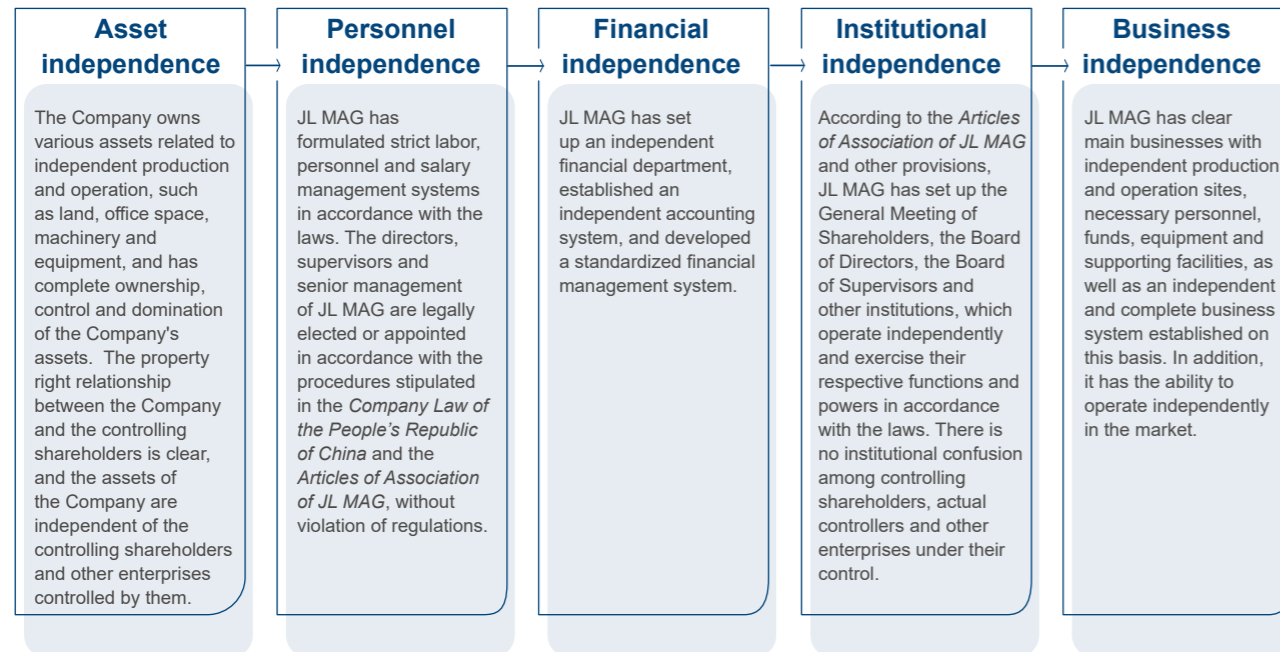
**In 2021, the Board of Directors of JL MAG reviewed and approved 9 institutional documents including the Risk Management System and the Policy on Diversity of Members of the Board of Directors, and amended 20 systems including the Articles of Association of JL MAG, the Measures for the Administration of Information Disclosure and relevant procedural rules.**

The internal control compliance policy system is shown as follows:



## Independent Operation

In strict accordance with laws and regulations, such as the *Company Law of the People's Republic of China* and the *Articles of Association of JL MAG*, JL MAG gradually establishes and improves its corporate governance structure, which separates its shareholders from assets, personnel, finance, organization, business and other aspects. JL MAG has a complete and independent business system, with independent supply, production and sales systems.



## Risk Management



To ensure the effectiveness of its internal control, JL MAG employs internal control consultants to conduct compliance reviews and take improvement measures to solve identified problems.



## Commercial Behavior

JL MAG attaches great importance to business ethics and abides by high-level code of business ethics. Based on its mission, vision and values, it has formulated a clear ethical code of conduct, and formed the business conduct code system consisting of the *Supplier Management Procedure*, the *Anti-Money Laundering Management System*, the *Anti-fraud Management System* and the *Company Reporting Management System*. Internally, JL MAG establishes an internal auditing and reporting mechanism which broadens reporting channels and specifies reporting handling procedures, and implements reporter confidentiality system to protect the reporting rights of employees; Externally, JL MAG signs the *Commitment Letter on Anti-Bribery of Suppliers* and integrity clauses with suppliers to regulate the behaviors of suppliers. During the reporting period, the Company and its employees were not involved in litigation cases related to corruption.

JL MAG regularly provides anti-corruption and anti-bribery compliance trainings to directors, senior management and sales employees to enhance their awareness and compliance with applicable laws and regulations. The core senior management of JL MAG received relevant training provided by Herbert Smith Freehills LLP in August 2021.

### Case

#### Lecture Themed on Knowledge of Common Economic Crimes

JL MAG attaches importance to compliance education. In May 2021, JL MAG, together with law enforcement agency, held a law education lecture for more than 200 management personnel and employees of functional departments. Officer Kang, the Economic Investigation Detachment of Ganzhou Public Security Bureau explained the six common types of economic crimes in private enterprises: Illegal fundraising, misappropriation, capital embezzlement, commercial bribery, contract fraud, and pyramid selling. He warned that employees shall abandon the fluke mentality at work, stay away from economic crimes, and protect their "purses", so as not to regret for the rest of their lives due to momentary ignorance.





## Investor Relations

JL MAG pays great attention to the management of investor relations, conforms to the requirements of a number of administrative measures such as the *Measures for the Administration of Investor Relations* and the *Measures for the Administration of Information Disclosure*, discloses information in an accurate and complete manner as well as establishing diversified communication channels for investors to maintain sound relations with investors. JL MAG conducted extensive communications with investors through various forms such as performance briefings to achieve the goal to "respect, revere and protect investors".



### Information Disclosure

As an A+H listed company, JL MAG strictly implements the regulatory requirements and discloses its business information timely and fairly through various channels including *Securities Times*, *China Securities Journal*, *Securities Daily*, *Shanghai Securities News* and [www.cninfo.com.cn](http://www.cninfo.com.cn), guaranteeing that the disclosed information is true, accurate, complete, concise, clear, and easy to understand. The senior management of JL MAG strictly abide by the management standards of listed companies, formulate the *Measures for the Administration of Information Disclosure* in accordance with the *Administrative Measures for the Disclosure of Information of Listed Companies*, and timely, accurately and strictly disclose financial and other significant information, so that the shareholders can timely understand the financial status of JL MAG and ensure the transparency of JL MAG's operations.

As of December 31, 2021, a total of 269 announcements (with 140 numbered) have been issued, an increase of 12% compared with 2020, covering periodic reports, resolutions of the board of directors, the board of supervisors and the senior management, Hong Kong stock issuance, equity incentives, etc. While the number of information disclosure continues to grow, JL MAG ensured that the information was disclosed timely and accurately. In 2021, JL MAG was rated as Grade A (two consecutive years) in the information disclosure assessment of listed companies by Shenzhen Stock Exchange. Among 2,350 listed companies in Shenzhen Stock Exchange under assessment, 417 of them were rated as Grade A, accounting for 17.74% in number.

In 2021, JL MAG was rated as Grade **A** in the information disclosure assessment of listed companies by Shenzhen Stock Exchange

### Communication with Investors

JL MAG has gradually developed a multi-channel and multi-level investor communication mechanism which is convenient and effective for investor communication, including multiple online channels such as e-mail, hotline for investors and fax, as well as online and offline performance briefings, analyst meetings, roadshows, reverse roadshows and in-person meetings etc., which not only improves communication with investors but also enhances market recognition of JL MAG.

In 2021, more than **300** field research activities, broker strategy conferences, online and offline roadshows and reverse roadshows were conducted.

Time	Place	Means	Audience	Audience
March 19, 2021	JL MAG	Others	Others	Online Briefing of 2020 Annual Results
March 19, 2021	JL MAG	Field research	Institution	Industrial Securities (Metal Industry), Haitong Securities, Shanghai Securities, Changjiang Securities (Metal Industry), CICC (Metal Industry), etc.
May 27, 2021	JL MAG	Field research	Institution	Shenwan Hongyuan Securities (Electricity & New Energy Industry), Green Court Capital, Industrial Securities, Guotai Junan Securities, Huan Securities, CUAM, CSC, etc.
May 31, 2021	JL MAG	Field research	Institution	TEMASEK, DBS Asia Capital
July 16, 2021	JL MAG	Field research	Institution	Dongxing Securities, GT Fund, EPF, Haitong Securities, BOCOM Schroders, CICC, Aegon-Industrial Fund, Hwbao WP Fund, etc.
September 16, 2021	JL MAG	Field research	Institution	Dongxing Securities, Great Wall Securities, CITIC-Prudential
October 21, 2021	JL MAG	Telephone communication	Institution	GF Fund, Shenwan Hongyuan Securities, Pingan Fund, BOC Investment, Haitong International, Cinda Securities, TF Securities, China Merchants Capital, CCB International, Changjiang Securities, Orient Fund, etc.

The company's popularity in stock mark continued to increase during the year. JL MAG responded to questions of investors in a timely and compliant way, and replied a total of **312** questions through the interactive platform in 2021, an increase of about 78% compared with 2020.



### Case

#### JL MAG's Performance Brief Was Selected as the "Best Practice Case of the 2020 Annual Report Performance Briefing of Listed Companies"

On September 2, 2021, the Experience Exchange Meeting of the 2020 Annual Report Performance of Listed Companies was held in Beijing by China Association for Listed Companies. Through the meeting, China Association for Listed Companies intends to show the best examples of listed companies in holding performance briefings, and enhance their awareness of importance of performance briefings, so as to improve investor relations and smooth the communication channels between listed companies and investors.

JL MAG's performance briefing was selected as the "Best Practice Case of the 2020 Annual Report Performance Briefing of Listed Companies" in the meeting on which a total of 50 "Best Practice Cases" were selected from 3,756 listed companies that have organized annual performance briefings.



### Safeguarding the Interests of Investors

JL MAG implements a continuous and stable profit distribution policy, effectively protects the rights and interests of small and medium shareholders, and attaches great importance to reasonable investment returns to investors. JL MAG's profit distribution plan for 2021 was: based on the total share capital on the registration date of the profit distribution, a cash dividend of RMB2.50 (tax included) was distributed to all shareholders for every 10 shares without bonus shares, capital reserves was not converted into share capital, and cash dividend amount (tax included) is RMB209 million. Including dividend distribution of this time, since the establishment of the Company, the accumulated dividend distribution amount has been about RMB921 million.

In 2021, cash dividend amount (tax included)

RMB **209** million

Since the establishment of the Company, the accumulated dividend distribution amount has been about RMB **921** million

# 03

## Products

JL MAG is mainly engaged in the manufacturing and sales of high-performance NdFeB PMs. The Company's products mainly include finished products of high-performance NdFeB PMs.

In 2021, the output of the Company's high-performance NdFeB PMs

**10,325** tonnes

increased by

**7.41** % YoY

In 2021, NdFeB magnetic steel sales volume

**10,709** tonnes

increased by

**21.44** % YoY

In 2021, the Company produced

**6,064** tonnes of high-performance NdFeB PMs using GBD technology

increased by

**47.51** % YoY


Accounting for

**58.73** % of JL MAG's total output

Increased by

**16** pts over the same period of the previous year

NdFeB PMs are widely used in sustainable manufacturing industry. Compared with traditional motors, REPM motors can save **15% to 20%** of energy. Our products are mainly applied in downstream sectors such as NEVs and automotive parts, energy-saving VFACs, PM wind turbine generators, 3C products, industrial energy-saving motors, energy-saving elevators, rail transit etc.




### NEVs and Automotive Parts

- REPMs are used in NEV drive motors, ABS (Antilock Braking System), EPS (Electric Power Steering) and automotive parts, which can improve motor power density and operation efficiency.

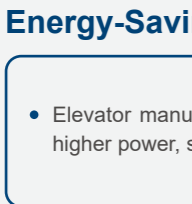
### PM Wind Turbine Generators

- REPMs are used in PM wind turbines, which feature simple structure, low operation and maintenance cost, long service life, sound grid connection performance and high-power generation efficiency, are more suitable for operation in the environment of low wind speed.



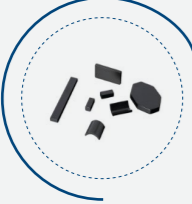
### Energy-Saving VFACs

- REPMs are used in the motors of household appliances, which can make them run at different speeds, improve their operating efficiency, reliability and performance, and reduce their operating costs.



### Energy-Saving Elevators

- Elevator manufacturers can use REPMs to produce elevator traction machines with higher power, smaller size, lower noise and lower operating costs.



### Industrial Energy-Saving Motors

- REPMs are used in energy-saving motors in industrial robots, helping to increase the power density of servo motors and the performance of related components while reducing their size.

We design high-performance NdFeB PMs and formulate procurement and production plans according to customer requirements.

## Quality

JL MAG strictly abides by the *Product Quality Law of the People's Republic of China* and attaches importance to quality control. We conduct quality inspections throughout the production process, including testing and checking the performance and appearance of high-performance NdFeB PMs. The Company's quality control team monitors the quality of work-in-progress, conducts various functional tests on work-in-progress and finished products, and conducts final inspections of high-performance NdFeB PMs according to the quality control list before delivery. The qualification rate of the Company's products is at the forefront of the industry in the fields of wind power and VFAC compressors.

Over the past 14 years, the Company's technical quality has been continuously and steadily improved, and all technical indicators are in line with national standards. Our company is the leading company in the domestic product industry in terms of technology innovation and quality.

## Quality Management System

JL MAG follows the business philosophy of "high quality", adheres to quality as the center, introduces a modern quality management system, builds three quality assurance systems, and implements a quality leadership strategy to ensure excellent quality. In terms of quality management, we mainly have the following two innovations:



Based on IATF 16949:2016 international automotive industry quality management system, the Company creatively integrates the quality management system standards of various automotive customers, including GM BIQS, establishes and improves the Company's quality management system JLQS.

IATF 16949:2016	IATF 16949:2016 is a global automotive industry technical specification jointly formulated by members of the International Automotive Task Force (IATF) (including GM, Ford, BMW, Volkswagen, etc.)
BOSCH 14Q Principles	"14Q-Basics Value Stream" refers to the fourteen basic quality principles of the Bosch Group, which aim to guide the entire manufacturing process and all links of the value stream
GM BIQS	GM BIQS is the General Motors Supplier Manufacturing Quality System
VW PSB Product Safety	VW PSB is Volkswagen Group Safety Responsibility Representative Requirements
Special Process Management CQI-Series of Standards	CQI: Continuous Quality Improvement, developed by the American Automobile Industry Action Group (AIAG) task force, establishes continuous improvement in the supply chain, emphasizes defect prevention, and reduces variation and waste management systems
German Automobile Manufacturers Association VDA Standard Series	Not only the German automobile manufacturing quality system standard, but also the EU automobile manufacturing access standard



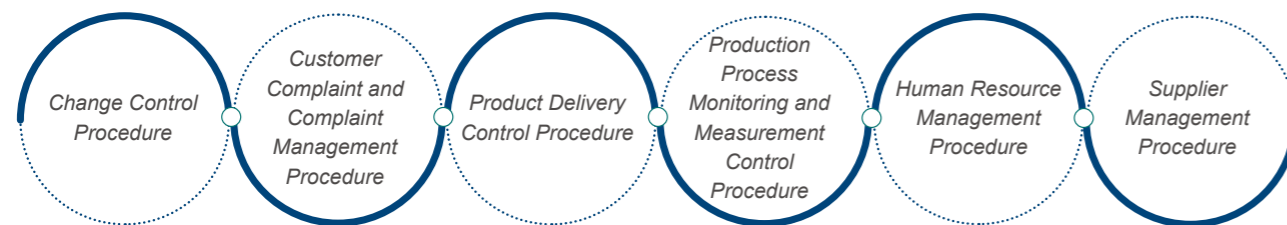
**Management culture:** quality improvement ranking among all employees, quality awareness ranking among all employees and quality improvement incentive system

We promote continuous improvement of product quality and motivate employees to improve their abilities by carrying out a series of activities, such as process quality improvement rankings, quality knowledge contests, 6S rankings, BIQS rankings, and ten stars of quality improvement activities.



## Quality Management Process

The Company has established 45 quality management procedures according to international and national standards, regularly reviews and evaluates our quality control system, and timely finds problems and makes corrections, and continuously improves the stability of the Company's quality control system.



## Awards



Bosch Group



BYD FinDreams Powertrain Co., Ltd.



GoldWind Technology



Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.

## Lean Production

### • Main Performance

Minimum delivery time

**7** days

Average delivery time

**14** days

Production efficiency improvement

**14** %

Production cycle shortening

**11** %

Average delivery time decreased in days compared to 2020

**2** days

Work-in-progress turnover decreased compared to 2020

**28.7** %

Number of new equipment independently developed

**253** sets

Number of upgrades for existing equipment

**136** sets

JL MAG implements lean production, integrates business processes, actively creates and continuously improves supply chain network, and develops intelligent and information-based construction. The Company has successively completed the construction of new production lines and upgraded existing production facilities to improve the automation of production processes. As a result, the Company's overall production capacity has continuously grown. We will strive to improve product delivery capacity and production efficiency to meet customer needs through continuous improvement of lean production capabilities.



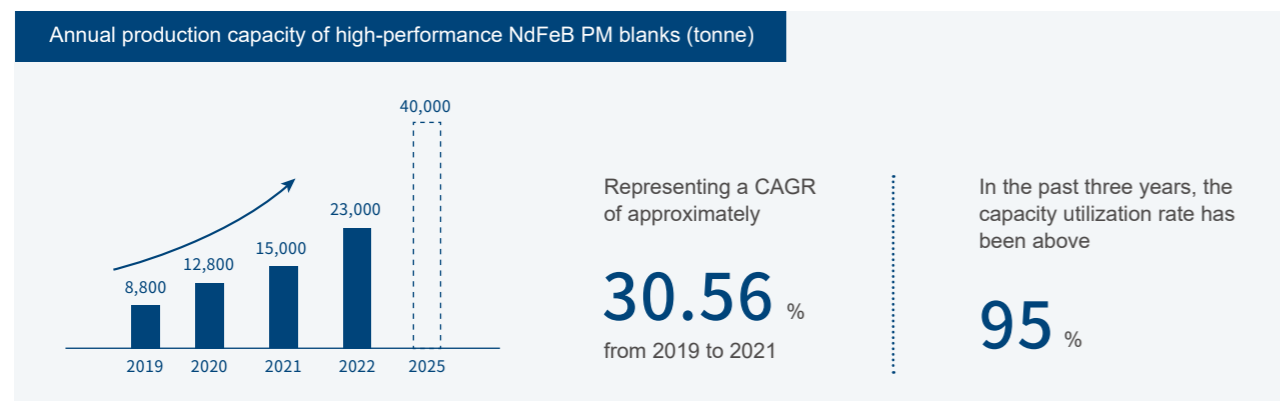
## Intelligent Upgrade to Improve Efficiency

### Automation Upgrade Improves Production Efficiency

In 2021, JL MAG independently developed, produced and delivered **more than 250** sets of new automation equipment, and upgraded **more than 130** sets of existing equipment to improve product quality and consistency. By equipping manufacturing facilities with state-of-the-art automation equipment, manual operations and labor costs have been reduced.

## Scaling up Production Capacity

We have strategically scaled up the production capacity due to significant growth of demand from downstream industry.



## Inventory Management

The Company has formulated the *Warehousing Management Procedures* to standardize the management of materials and products receipt and storage, to ensure the consistency of materials and product accounts, and to ensure the sound operation of the Company's production and order delivery.

### Inventory Management Mechanism

We purchase raw materials and produce according to our customers' purchase order, and at the same time, we maintain a competitive price and safe inventory level of rare earths based on expectations of rising rare earth market prices to reduce the average cost of rare earths. In order to effectively control the risk of overproduction and inventory, the Company's production, procurement, sales and inventory control teams report to the manager every day and adjust our output, production schedule and procurement when necessary.

### ERP System Information Management Mode

Our inventories mainly consist of raw materials, work-in-progress and finished products, which are usually stored in the warehouses of our production bases. Designated personnel use the centralized ERP system to track and systematically manage our inventory.

## Information-Based System

A mature information system helps to improve the efficiency of our management and business. We continue to invest in and maintain the integrated information system, which integrates the internal and external management information of all aspects of our business operation. The Company's OA office system helps to improve our operation efficiency and project management; ERP system enables us to manage the Company's procurement, sales and inventory in an effective and reasonable manner.



### Effectiveness of Information Construction

**Customer order and production process control**

The whole process, from sales order, planned order, production order, production execution, production barcode management, inventory barcode management, to delivery notice and sales delivery, is well controlled and managed.

**Supply chain management and control**

The whole process, from material demand to purchase requisition, purchase price comparison, purchase order, delivery plan, supplier collaboration, material receipt notice and purchase receipt, is well controlled and managed.

**Cost management**

Refine the granularity of cost accounting and promote management upgrading.

**Mobile social HR collaborative management**

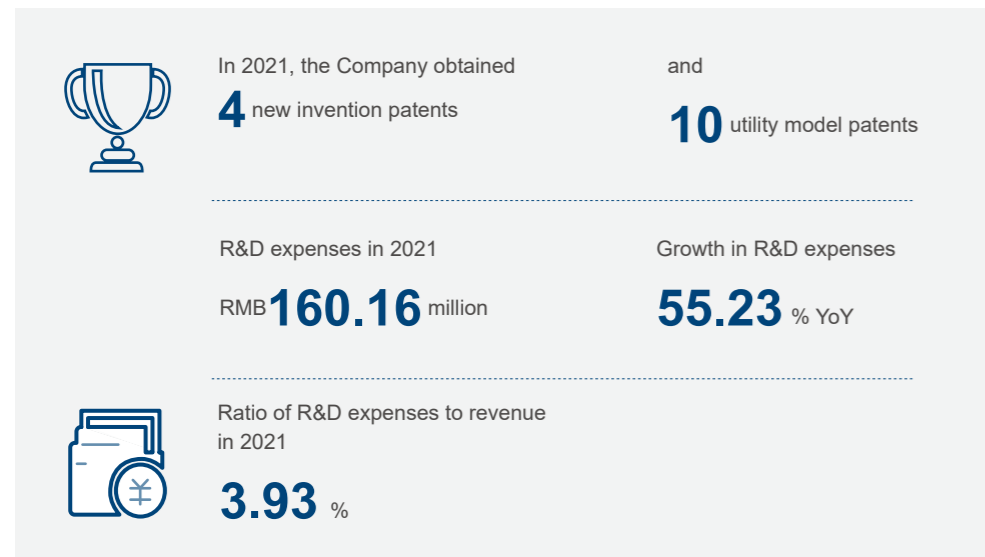
"Cloud Home" helps to make employees actively and spontaneously participate in HR management, linking people, things, data and management which improves the organizational vitality, team cooperation efficiency, employee cohesion, as well as the work efficiency of HR department to release the management value.

**Mobile intelligent collaborative office**

Business integration between organizations of different departments has been strengthened and internal work efficiency promoted.

In the future, JL MAG will continue to strengthen the internal and external expansion of our information system, so that we can quickly obtain and process information and data, support us to make decisions and improve production efficiency. All the above improvements will help us improve our cooperation with customers and suppliers, and increase our revenue and profitability.

## Research and Development (R&D)



In 2021, the Company granted **24** prizes in scientific and technological innovation,

with a total award amount of RMB **1.45** million.

REPM is a technology-intensive industry, and R&D innovation is very important. The Company plans to further strengthen R&D to improve production technology, enrich the existing product portfolio, and promote cooperation with leading customers in the industry. We will improve our R&D level through the following measures:

- 1 Focus on technological innovation to respond to product upgrade needs and take the lead in the development of the industry;
- 2 Pay attention to international technology updates and strengthen the technical advantages of high-performance NdFeB PMs production;
- 3 Increase R&D investment, further reducing the use of medium and heavy rare earth in the production of more widely used high-performance NdFeB PMs;
- 4 Recruit industry experts and talents and enhance internal trainings;
- 5 Improve the level of automation, ensure product quality, and increase production capacity.

### • R&D Team

The Company attaches great importance to constantly enhancing R&D capabilities. As of the end of 2021, we have established a R&D team of 411 technicians. Our R&D team is divided into three groups, which are mainly responsible for:



### • R&D Investment

The Company invests resources in R&D activities to design, develop and implement new and impeccable production methods, timely and continuously provide products and improve our enhanced service scheme synchronized with technological development, so as to meet the high demands of customers. In 2019, 2020 and 2021, our "R&D expenses" are about RMB63 million, RMB103 million, RMB160 million respectively.

CAGR of "R&D expenses" over the past three years is **59.36%**

## R&D Breakthroughs

The JL MAG has strong production optimization and R&D capability and global leading proprietary technology. We continue to optimize the product recipes and save costs by reducing the amount of medium and heavy rare earth in the production of high-performance NdFeB PMs. In 2021, many fields such as material engineering, process optimization, surface treatment, recyclable technology have prominent progress. We also cooperated with customers in the research and development of new products and upgrades, for examples the ultra-high-performance grades, free heavy rare earth grades and low heavy rare earth grades have been developed. In particular, GBD technology has been highly praised by many strategic customers.

**The key technical research of grain refinement and GBD technology for sintered NdFeB**

The grain refinement and optimized grain boundary structure have been achieved by composition design. In addition, the magnet performance has improved and the usage of medium and heavy rare earth has been reduced by the optimal GBD technology.

**Development of high corrosion resistance coating technology for sintered NdFeB miscellaneous products**

Due to the high demand of high corrosion resistance coating for 3C Customers, the JL MAG has developed a high corrosion resistance coating technology for sintered NdFeB miscellaneous products.

**Development and industrialization of high-performance free heavy rare earth REPMs**

The JL MAG technical level of series products has improved in the implementation of the project. At the same time, we have collected the core technology with independent intellectual and achieved the high-performance free heavy rare earth grades.

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**Defect inspection development in visual system**

Based on the principle of industrial vision inspection technology, the visual system can scan the products online and form a high resolution sheet images. Then the images would be analyzed and various surface defects have been collected, at the same time, the images have been conducted by report statistics, quality analysis and sorting, which can improve the accuracy of defect detection and prevent interference caused by false defects.

**Application development of equipment Internet of things**

At present, most of automation equipment runs in single-machine state, which requires manual intervention to realize multi-equipment cooperation. Meanwhile, large amount of data are produced in the process of running for the automation equipment, which is not well utilized. The Internet of Things technology is applied in the project to solve the above-mentioned problems.

## Intellectual Property Rights

The Company strictly abides by the *Patent Law of the People's Republic of China*, the *Intellectual Property Law of the People's Republic of China* and other laws and regulations. There is an intellectual property center to regularly search and collect invention patents in the same industry. The technical expert group analyzes the patents and divides them into three risk levels: normal state (green card), alert state (yellow card) and crisis state (red card). They ensure that all patents are in a normal state and that there is no risk of patent infringement. During the reporting period, JL MAG had no major disputes in terms of intellectual property rights.

## Key Projects

At present, the Company has undertaken three major scientific research projects at ministerial and provincial-level based on two provincial-level scientific research platforms. We have built an Industry-University-Research R&D mechanism, with the enterprise as the main player and market as the guidance, further strengthening our technological innovation capacity and promoting transformation of the technological R&D achievements, thus providing technology support for the Company to develop more clients and market share.



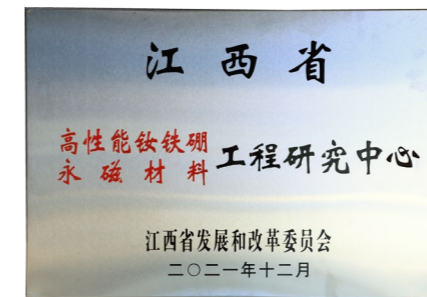
### Patent Technology and Standard Amendment

Patent	Technological Achievements	Standard Amendment	Technological Achievements	Industry-University-Research Collaboration Project
National Invention Patents	23	National Standard	1	4
Utility Model Patents	27	Industry Standard	1	

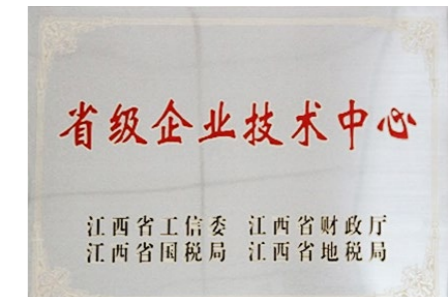


## Honors and Awards

- JL MAG attaches great importance to research and development and makes continuous high investment. The Company has set up research institutes in China, Europe and North America to carry out research of cutting-edge technology of magnets.
- JL MAG is a high-performance NdFeB PMs engineering research center of Jiangxi Province and a provincial enterprise technology center.



High-performance NdFeB PMs Engineering Research Center of Jiangxi Province



Provincial Enterprise Technology Center

- The R&D project led by JL MAG, "Development of Key Technology for High Performance and Low Heavy Rare Earth Magnets and Industrial Application of REPM Motors", was shortlisted for the 2021 Jiangxi Provincial Science and Technology Progress Award.
- In January 2021, JL MAG's "Production Technology and Application of High-Performance Sintered NdFeB Magnets" won the Industry-University-Research Collaboration Innovation Achievement Award.



### Case

#### The Cooperation Project Led by JL MAG Won the "First Prize of Scientific and Technological Progress in the Rare Earth Science and Technology Award"

The Rare Earth Science and Technology Award, jointly initiated by the Chinese Society of Rare Earths and Association of China Rare Earth Industry, was started in March 2021, which would be filed at the Social Award Department of the National Science and Technology Award Office. 36 application materials were received. After the preliminary evaluation, 26 items entered the evaluation procedure, and 7 first prizes and 12 second prizes were finally determined. The project of "Key Technology Research and Industrialization of High Temperature Resistant, Low Heavy Rare Earth and High Performance Rare Earth Permanent Magnets" was awarded with the "First Prize of Scientific and Technological Progress", which was led by JL MAG with General Iron and Steel Research Institute, Xinjiang Goldwind Technology Co., Ltd. and Nanchang Aeronautical University.



## Service

Relying on high-quality products, excellent R&D capability, proprietary technology and strong product delivery capability, JL MAG has always been customer-oriented while carrying out technical upgrading and product differentiation so as to provide better products and service. JL MAG has now entered the supply chain system of many global leading companies. In the field of NEVs, the Company's products are used by eight of the world's top ten NEVs manufacturers to produce drive motors; In the field of energy-saving VFACs, the Company has maintained friendly cooperative relations with the top five manufacturers of VFAC compressors in the world for many years; In the field of wind power, four of the world's top five wind turbine manufacturers are the Company's clients.

Revenue increased by **68.78%** over the same period

## Continuously Optimize the Service System

Adhering to the concept of "specialization, rigorism, quickness and innovation", we continued to improve our precision service ability. JL MAG has formulated the *customer service operation specification* to standardize the Company's customer service before, during and after sales. We have a sales and marketing team of 65 employees, focusing on business development and customer service. Using a cost-plus pricing mechanism, by entering in framework agreements with customers, we can determine the long-term supply plan, better anticipate the needs of customers, and arrange our own production and procurement accordingly.

## Customer Satisfaction

JL MAG attaches great importance to customer feedback and complaints. We constantly improve the working mechanism and the customer service level. We have formulated the *Management Procedure for Customer Satisfaction Survey*, which specifies procedure to carry out customer satisfaction surveys in multiple dimensions, including product quality, timely delivery rate, delivery cycle, R&D capability, timely response rate of complaints, product price, and customer services etc. Moreover, we will also make corrections and track management status for greater improvement and efficiency according to the response from the customer satisfaction surveys.

### Communication mechanism with customers:

Regularly send satisfaction questionnaires to customers; The salesperson makes non-scheduled visits to customers.

### Communication methods with customers:

Door-to-door visits, telephone, email, video conference, customer system, etc.



## Safeguarding the Rights and Interests of Customers

### • Safeguarding Information and Privacy Security

JL MAG strictly abides by the *Consumer Rights Protection Law of the People's Republic of China* and other laws and regulations, and has formulated the *Project Information Security Management System* to standardize the management of the confidentiality and security of project information. We train our employees to enhance their awareness of information security and customer privacy. At the same time, by signing confidentiality agreements with customers, strict measures and internal guidelines were taken to ensure the security of customers' information.

### • Customer Complaint Management

In order to continuously strengthen the handling of customer complaints, we have formulated the *Management Procedure for Customer Complaints*, to response to customer complaints and product-return requirements at once, and take corrective and improvement measures to ensure customer satisfaction. Moreover, customer opinions and feedback will be recorded and reported, so as to continuously optimize product quality and service capability.

### • Product and Service Quality Tracking Mechanism

In addition to tracking customer information through regular satisfaction evaluation, we also take some daily actions to track product and service quality, obtain available information and give feedback to relevant responsible departments. During the reporting period, there were no products to be recycled for safety and health reasons.

## Supply Chain

JL MAG attaches great importance to supply chain management and is committed to giving full play to the optimal efficiency of the supply chain. We focus on maintaining our business reputation, establishing long-term and stable cooperative relations with suppliers, achieving a good combination between supply and demand and helping the Company's long-term sustainable development.

### We have established stable and long-term business relations with suppliers

	2019	2020	2021
The proportion of the Company's five largest suppliers in total procurement value accounted for	67.7 %	64.4 %	73.2 %
The proportion of the Company's largest supplier in total procurement value accounted for	24.4 %	24.2 %	28.5 %

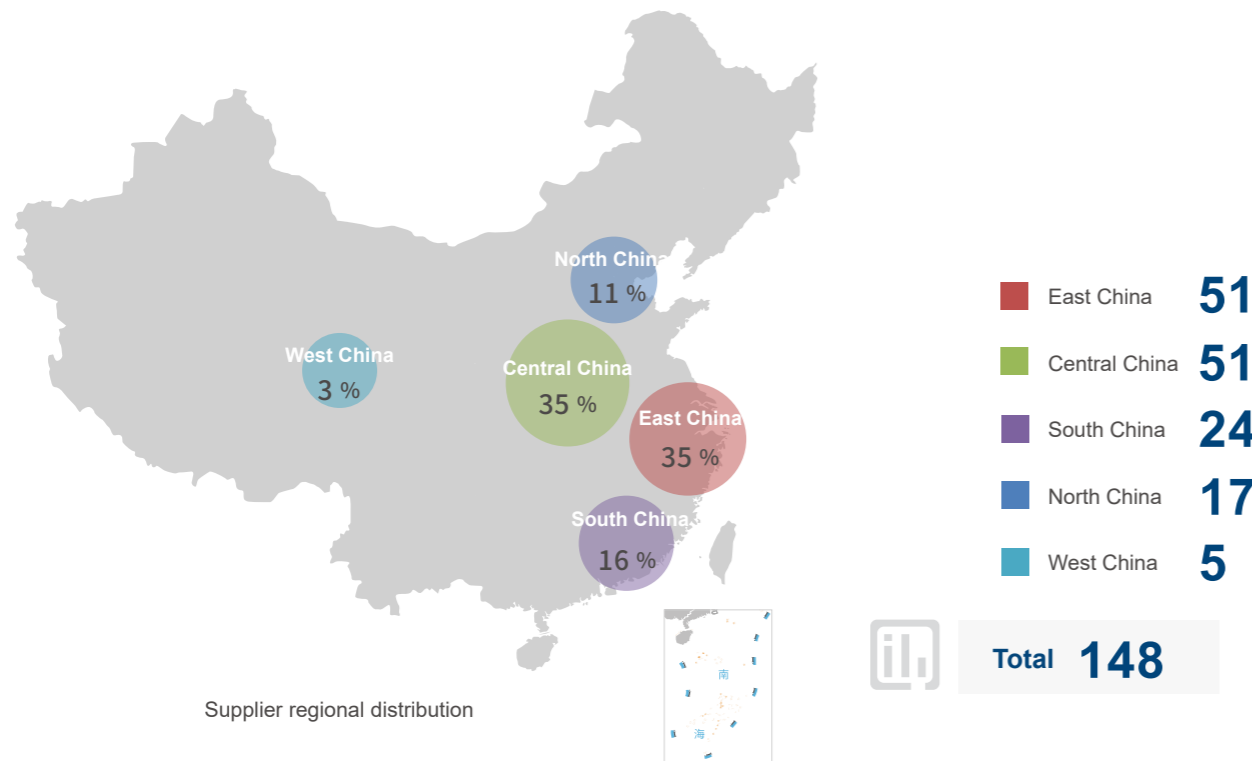


## Ensuring the Stable Supply of Raw Materials

Rare earth is the main raw material for the production of NdFeB magnetic steel. China is an important supply place of global rare earth raw materials. JL MAG is headquartered in Ganzhou city, Jiangxi province, the main production place of heavy rare earth, and we have built a high-performance REPMs plant in Baotou city, Inner Mongolia, the main production place of light rare earth. We have established stable cooperation with important rare earth raw material suppliers including China Southern Rare Earth Group CO.,Ltd. ("Southern Rare Earth Group") and China Northern Rare Earth Group CO.,Ltd. ("Northern Rare Earth Group"), and signed long-term supply agreements with Southern Rare Earth Group and Northern Rare Earth Group, which can ensure the long-term and stable supply of rare earth raw materials of the Company. At the same time, the Company purchases rare earth raw materials in advance according to the current orders, establishes a price adjustment mechanism with customers, optimizes the formula and process technology etc., which can reduce the impact of the price fluctuation of rare earth raw materials on the Company's operating performance.

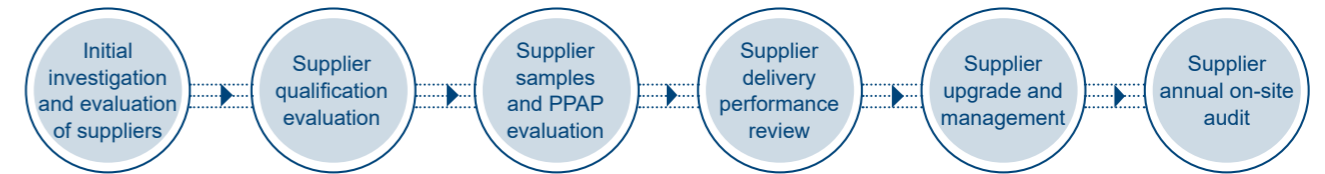


## Supplier Management



We have formulated the *Supplier Management Procedure*, established the supply chain management department and quality improvement team, strictly selected suppliers, and determined qualified suppliers through qualification and legal review, social responsibility investigation and evaluation, potential supplier review, sample assessment etc. The Company implemented classification and catalogue of supplier management mechanism, conducted supplier performance evaluation on a quarterly basis, and carried out supplier on-site auditing on an annual basis, coaching, helping or eliminating suppliers with poor performance. In 2021, 148 suppliers have been selected to provide products and service for JL MAG.

### Supplier Management Procedure



### Supplier Environmental and Social Risk Management

Supplier environmental and social risk review coverage rate **100%**

We actively identify and dynamically monitor supply chain risks and gradually strengthen the whole process risk management of suppliers. In the bidding process, all suppliers participating in the bidding are required to pass the legal, occupational health and safety investigation and sign the letter of commitment, and evaluate the environmental and social risks through the supplier questionnaire during the supplier audit. In terms of environment, the Company has evaluated environmental qualifications, wastes treatment and product storage and transportation of suppliers. Suppliers are required to pass environmental assessment, energy saving assessment and safety assessment. In terms of safety, by bringing up safety management requirements to suppliers in procurement, we urge suppliers to strengthen employment management and ensure labor health and safety.



## Procurement Management

JL MAG practices Transparent procurement ("阳光采购") and honest operation, internally requires employees to sign a letter of commitment on procurement self-discipline, regularly carries out unannounced visits and research, daily strengthens employee education and publicity, and constantly improves employees' awareness of self-discipline. JL MAG signs good faith procurement agreements and anti-bribery commitments with suppliers externally, requires suppliers to sign anti-bribery commitments, eliminates violations of rules and disciplines from the source, sticks to the bottom line of integrity, and promotes the healthy and orderly development of economic activities of the Company and business partners.

We follow the concept of green and environmental protection and give priority to energy-saving and environmental protection products under the same conditions of meeting procurement needs, quality and service standards. JL MAG's rare earth supply chain obtained SCS Recycled Content Certified, which effectively distinguishes recycled products from common original products by comprehensively monitoring the production process of recycled products and ultimately determines the content of recycled ingredients in products. We continuously increase the proportion of green products in the supply chain, and promote the construction of green supply chain with practical actions.

JL MAG's rare earth supply chain obtained

## SCS Recycled Content Certified

SCS Global Services does hereby certify that an independent assessment has been conducted on behalf of:  
**JIANGXI JL MAG RARE-EARTH Co., LTD.**  
 NO. 81 West Ji-Ling Road Development Zone, Ganzhou City, Jiangxi Province, Jiangxi, China

For the following product(s):  
**Metals:**  
 R系列钕铁硼稀土永磁体 R-series NdFeB Rare Earth Permanent Magnet

The product(s) meet(s) all of the necessary qualifications to be certified for the following claim(s):  
**SCS RECYCLED CONTENT CERTIFIED**  
 Conforms to SCS Recycled Content Standard V1-01 for a Minimum 29% Pre-Consumer Recycled Mixed Metal Content\*. The material quantification and mass balance calculations are completed on a dry-weight basis.

\*Made with 100% Pre-consumer Recycled Mixed Metal Content (Praseodymium, neodymium, Dysprosium, Terbium Metals).

Registration # SCS-RC-05458  
 Valid from: April 15, 2021 to April 14, 2022

# 04

## Employees

JL MAG strictly abides by the *Labor Contract Law of the People's Republic of China*, the *Regulations on the Implementation of the Labor Contract Law of the People's Republic of China* and other labor laws in the place of operation, protects the rights of employees, all overseas branches are required to abide by local labor standards, they implement the principles of gender equality, equal opportunities and employment diversity, and prohibit any form of discrimination.

Total number of employees

**3,529**

New employees on duty

**664**

The labor contract signing rate

**100 %**

Covid-19 vaccination rates for employees

**99.5 %**

Training for employees

**100 %**

In 2021, the total amount of the Company's employee welfare, various allowances, social insurance and housing provident fund expenditure

about RMB **62.56** million

In 2021, the total amount of performance awards and special purpose fund

about RMB **33.85** million

Safety production investment

about RMB **7.19** million

Equity incentive:

In 2021, the number of incentive shares in total

**4,995.8** thousands (including conversion of shares)

Equity incentive fees

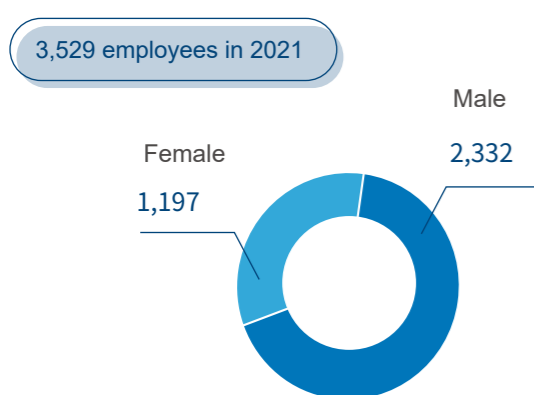
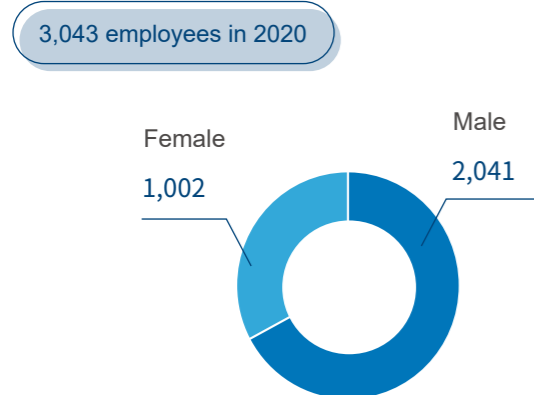
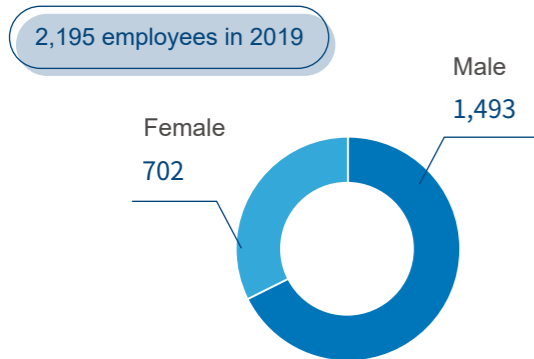
about RMB **69.08** million

# Employment

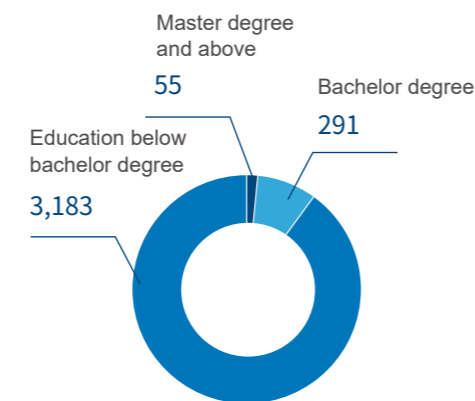
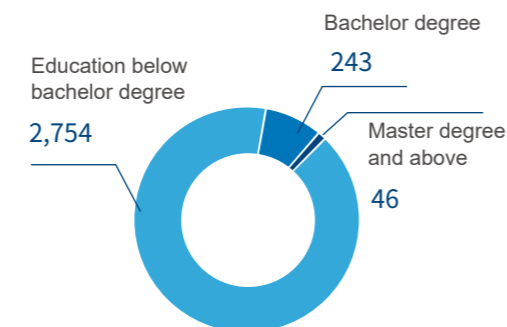
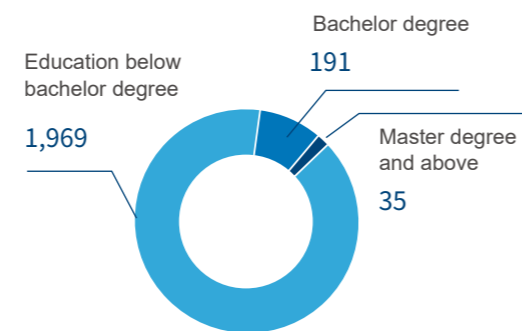
As of December 31, 2021, we had **3,529** employees.

## The Percentage by Category

Total number of employees by gender



Total number of employees by academic degree



### Following the Company's Policy of Equal Opportunities, and Selecting the Best for Appointment, Evaluation and Promotion

JL MAG domestic entities and overseas companies strictly abide by local labor laws and regulations, and formulate employment policies. The Company's employment policy aims to provide employees with equal opportunities (regardless of gender, age, race, religion or any other social or personal characteristics) and admission is based on merit. By means of campus recruitment, online recruitment and other methods to expand recruitment channels, we improve recruitment process and increase recruitment transparency, so as to grasp talent opportunities and promote the development of the Company. In 2021, there are 664 new employees on duty, and the labor contract signing rate is 100%.


### Salary System

In order to enhance the transparency of the salary system, JL MAG issued the *Salary Management Procedure*, which follows the principle of distribution according to work and efficiency first. We reasonably arranged the number of working hours of employees to ensure that wages are paid in full on a monthly basis. According to the post characteristics, the Company formulates the characteristic salary structure, implements the annual salary system for senior executives, implements the evaluation method combining group performance and timing for production posts, pays performance wages for functional posts based on the results of performance appraisal, and calculates the total salary of sales people based on performance.

### Talent Incentive Mechanism

The Company pursues the concept of people-oriented and knows well that talent is the driving force to promote the sustainable development of enterprises. In order to stimulate the vitality of talents and encourage employees to participate in technological innovation, JL MAG has set up various performance awards and special rewards for employees, including Technological Innovation Award, Lean Project Award, Quality Improvement Award, JL MAG Artisan Award and etc.

In 2021, the total amount of performance awards and special rewards is about **RMB 33.85** million.



JL MAG has set up various performance awards and special rewards for employees, including **Technological Innovation Award, Lean Project Award, Quality Improvement Award, JL MAG Artisan Award and etc.**

### Equity Incentive

The Company approved the *2020 Incentive Plan for Restricted Shares in 2020*, and granted

a total of **8,034** thousand shares to 226 incentive objects in the year, accounting for

about **2%** of the Company's total share capital

In 2021, the Company completed the first phase of "2020 restricted stock incentive plan" to unlock the restriction vesting, involving

a total of **4,995.8** thousand incentive shares (including conversion of shares),

**69.08** million of equity incentive fees.



The launch of equity incentive plan effectively stimulated the Company's operating potential and brought more impetus to the Company's development. On one hand, this incentive plan has a large number of grants and covers a wide range of objects, which is beneficial to fully mobilizing enthusiasm. On the other hand, from the perspective of assessment criteria, net profit in the three years has nearly doubled, demonstrating the Company's determination for continuously consolidating its leading position in the industry and the Company's confidence for the future development.

• **Employee Benefits**

JL MAG sincerely appreciates the devotion of employees, cares for their well-being, pays attention to their health, provides social insurance and housing provident fund for all employees, and purchases accident insurance for field staff with high risk; establishes multilevel employee welfare allowance system, including night shift allowance, high temperature allowance, seniority allowance, travel allowance, etc., provides dormitories and canteens, sets up pregnant women's canteens, prepares festival and birthday gifts for employees, and prepares holiday benefits, so as to promote the harmony and stability of enterprise labor relations. The Company has a good natural environment, equipped with football field and basketball court, creating a healthy, safe and comfortable working environment for employees through various facilities.

In 2021, the total amount of the Company's employee welfare, various allowances, social insurance and housing provident fund expenditure is about

RMB **62.56** million.



The Company maintains a good relationship with our employees and has not encountered any strikes or major labor disputes since its establishment.

**Case**

**Cultural and Sports Activities**



The success of JL MAG is inseparable from the efforts of employees. The Company has established a labor union to protect the rights and interests of employees, encourages employees to participate in management decisions. Meanwhile, the Company pays attention to employees' growth and professional performance, and carries out various trainings and employee care activities. The Company plans to attract more excellent employees, expands new business and implements expansion plans in the future.

**Case**

**JL MAG Event for International Women's Day on March 8**

In March, the spring is coming. In order to jointly celebrate the 111th International Women's Day and to create a happy festival atmosphere for female employees, the Company has carried out a series of activities.

The Human Resources Administration Department carefully planned and carried out flower art training with the theme of "learning the art of flower arrangement • being a delicate woman".

Through the training, teachers explained the basic knowledge of flower art, flower categories, flower arrangement skills and other essentials, female employees personally completed their own flower art works.



**Career Development**

Sound training mechanism and clear career development path are important guarantees for talent development. JL MAG has established a systematic and comprehensive pre job and on-the-job training system. Based on the feedback of administrators and employees, the Human Resources Department continuously optimizes the training courses to improve the competence of employees. In the Production Department, an "apprenticeship system" is formed to give full play to the fine tradition of mutual assistance, so that apprentices can grow rapidly with the help of senior staff and work with certificates. At the same time, an online training platform (credit system) is set up to enrich employees' learning paths.

Through formulating the *Job Qualification Management System* and *Job Qualification Evaluation Standard*, JL MAG has provided a clear career development path for employees, and has formed a talent system of six sequences and twelve levels. The Company regularly organizes employee review, comprehensively evaluates the ability of employees, and opens up the "green channel" for the promotion of excellent employees.

• **Providing Adequate Training and Supervision for New Employees, and Providing Training Plans for Employees' Career Development**

The REPMs industry has high requirements for talents, mainly in the development of new products, process design and production equipment manufacturing. Therefore, a series of talent training plans have been formulated.

## Lean Talent Training

In order to build a learning and service-oriented organization and cultivate a talent team skilled in lean tool methodology and practical operation, JL MAG has formulated the *Lean Production and Fine Management Level Talent Certification Method*, using the belt level certification to assess and rate the employees' professional ability.



## Training Plan

The Company attaches great importance to employee training. In order to ensure that each employee operating the equipment has relevant equipment operation knowledge and essential knowledge of safety policies, the Company carries out various training plans for employees, including orientation training, on-the-job training, professional knowledge training and technical training. The Company also employs external consulting and educational institutions to provide training for our employees.



3 Refers to the black belt level of the subjects with belt level certification through the formal process. The black belt is the highest level.

4 Refers to the green belt level of the subjects with belt level certification through the formal process. The green belt is the second highest level.

## Case

### JL MAG Employee, Wen Xiaozhen, Was the Winner of the National May Day Labor Medal in 2021, and Granted with the Title of "The Most Beautiful Employee" by Publicity Department of the Communist Party of China and All-China Federation of Trade Unions

In order to thoroughly study and implement the important exposition of President Xi Jinping in terms of the work of the working class and trade unions, especially the spirit of his important speech at the National Model Workers Conference, vigorously carry forward the spirit of model workers, labor spirit and craftsmanship, unite and mobilize hundreds of millions of employees to contribute wisdom and strength to the realization of the objectives and tasks of the "14th Five-Year Plan", and greet the 100th anniversary of the founding of the Party with outstanding achievements, on the occasion of the May Day International Labor Day, the Central Propaganda Department and the All China Federation of Trade Unions publicly released the advanced deeds of the "most beautiful workers" in 2021 to the whole society.

JL MAG employee, Wen Xiaozhen, was awarded the National May Day labor medal in 2021, and granted with the title of "The Most Beautiful Employee" by Publicity Department of the Communist Party of China and All-China Federation of Trade Unions.



## Safety

The Company strictly abides by the *Production Safety Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, the *Occupational Disease Prevention Law of the People's Republic of China*, the *Special Equipment Safety Law of the People's Republic of China*, the *Emergency Regulations for Production Safety Accident*, the *Dangerous Chemical Safety Management Regulations* and other national laws and regulations, a series of internal systems such as *Hazard Identification and Risk Assessment Management Procedures*, *Occupational Health and Safety Management Procedures*, and *Full-Staff Responsibility System* have been formulated to ensure the safety of employees and the stability of production. The Company regularly checks the compliance and formulates the internal responsibility system for the implementation of safety production measures. Special (equipment) operators shall work with certificates. The main person in charge of safety and management personnel have been retrained. The Company strengthens the cultivation of safety culture, such as regularly making safety billboards, organizing safety knowledge competitions in safety production month, etc., so as to strengthen the safety awareness of employees.

The Company has not encountered any major safety accidents and has not received any major punishment for violating Chinese laws and regulations on occupational health and work safety during the reporting period.



Safety production investment

RMB **7.19** million

Major safety accidents of the Company in 2021

**0** Time



## Safety Management System

JL MAG has established the safety production standardization system since 2010 and obtained the class III enterprise certificate of safety production standardization (Certificate No.: Gan AQBYS III 202100045), and has also obtained the *Occupational Health and Safety Management System Certification* issued by SGS Group, indicating that the Company has further improved its occupational health and safety management, and the relevant management is more scientific, standardized and institutionalized.



Occupational Health and Safety Management System Certification

### Establish and Improve the Production Safety Emergency Management System

In order to ensure the timely control of production safety accidents, to prevent the spread of accidents, to effectively organize rescue and to protect the personal and property safety of employees, we have formulated the *Emergency Plan for Production Safety Accidents* to ensure that all emergency work can start quickly, efficiently and orderly in case of fire, explosion, special equipment accident, occupational poisoning and other emergencies, so as to avoid and minimize the casualties or property loss caused by the accident.

The Company adopts risk control incentive mechanism to encourage all departments/workshop section to actively mitigate safety risks.



## Safety Education and Training

In 2021, we carried out three-level educational training for **1,673** participants

Participation of new employees **100%**

Carried out **4** on-site safety and health training sessions for all staff

trained **560** participants

online trained **2,085** participants

Each department/workshop section carried out daily safety training at least **twice** a month.



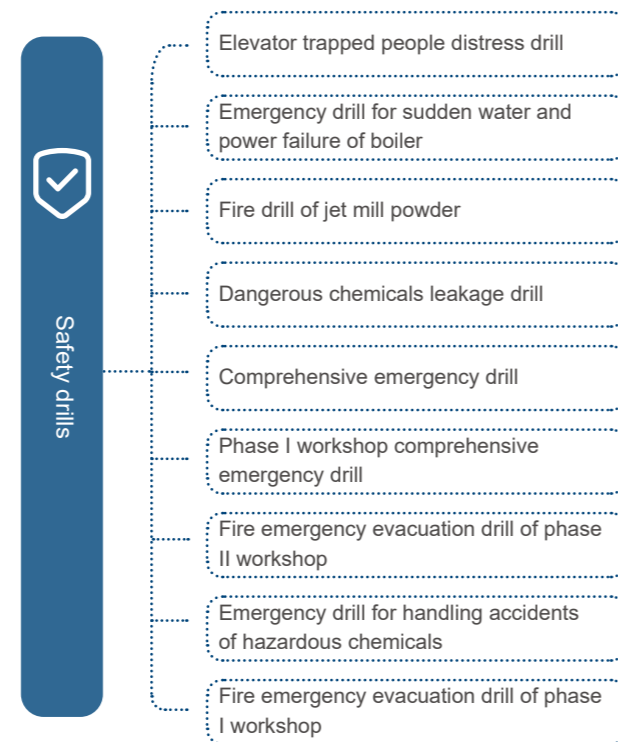
JL MAG has formulated the *Safety Production Education and Training System* to provide occupational safety education and training to employees and strengthen their safety awareness. For example, three-level safety training for new employees, retraining in the work section every month, and the Safety Production Department organizes safety training for all employees every year to enhance their safety awareness. The training involves laws and regulations related to labor and production safety, risks related to business operation and production facilities as well as risk mitigation measures.



## Safety Measures

In 2021, we carried out 1 comprehensive emergency drill, 1 special emergency drill for hazardous chemical leakage, 4 fire emergency drills and 8 various on-site emergency drills.

In order to ensure the safety of employees, JL MAG clarifies the safety guidelines and operating procedures related to the production process. The Safety Production Department organizes comprehensive inspection and special safety inspection every month, and the safety officer carries out safety inspection every day. The manager on duty is arranged to carry out safety inspection on weekends and holidays, and all departments carry out self-inspection and self-correction every week to reduce safety risks. The Company carries out accident emergency drills regularly such as firefighting and dangerous chemicals leakage, so as to strengthen employees' emergency response and disposal capacity, so as to eliminate potential hazards.



## Contractor Safety



## Security Administrator

In order to strengthen safety management, the Company has set up full-time and part-time safety officer posts. The full-time safety administrator is responsible for the formulation and implementation of various safety systems, the establishment of relevant safety systems and emergency management. According to the *Part-Time Safety Officer Management System*, the part-time safety administrator assists the full-time safety officer to conduct patrol inspection on the production site, make records, submit the inspection and rectification records to the Safety Production Department, and the full-time safety officer confirms the patrol inspection in the Department every month. The Company regularly provides training and allowances for part-time safety officers.

By the end of 2021, the Company had a total of **185** full-time and part-time safety officers.

### Case

#### A Powder Fire Drill



On April 15, 2021, JL MAG organized a powder fire drill in a certain process line. Participants in the drill include representatives of relevant production lines, so as to improve the handling ability of employees to powder fire, improve the fire emergency evacuation and escape ability of employees in this process, and let employees further master the use of fire extinguishers, and enhance the employees' fire safety awareness.



On-site Training for Safety Officers



## Employee Health

### Occupational Health

- **Physical Examination**

The Company organizes employees to receive occupational health examinations before, during and after employment, and established occupational health monitoring files. The Company will recheck employees who have problems in physical examination, and they will be reallocated if not suitable for current position.

- **Health Security Measures**

The newly built, reconstructed and expanded plants of the Company are equipped with occupational hazard protection facilities according to the requirements of national laws, regulations and standards, and the "three Simultaneities" (Occupational disease protection facilities must be designed, constructed and put into use at the same time as the main project) of occupational health are carried out. The Company detects the occupational hazard factors on the operation site every year, and improves the non-conforming factors. The Company regularly organizes employees to carry out occupational health training and occupational hazard warning signs are pasted on the operation site. The Company also distributes labor protection articles to employees and supervises their correct use. The Company regularly inspects and maintains the occupational hazard protection facilities to ensure that they are in good condition.

- **Automated Upgrade Empowerment**

By improving operating conditions and strengthening labor protection, the Company continues to eliminate the equipment with poor performance, to improve equipment efficiency and safety, and continuously reduce the proportion of manual operation and labor intensity.

Automation equipment reduces the work intensity of employees

Automation equipment improves the working environment of employees

Automation equipment reduces employees' repeated work and improves employees' working comfort

## Normalized COVID-19 Epidemic Prevention and Control

Quantity purchased in 2021

Liquid soap

**664,800** mL



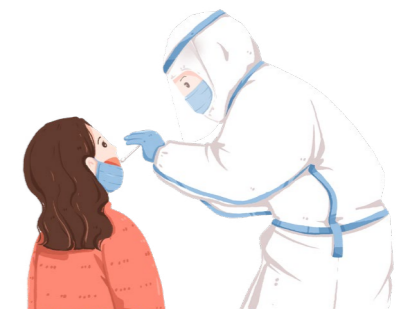
Mask

**400,000** pcs



Disinfectant

**174,000** mL



In order to facilitate employees to receive COVID-19 vaccination, the Company has invited relevant medical institutions to visit the Company three times for employees' vaccinations. As of December 31, 2021, employee COVID-19 vaccination rates are 99.5%. At the same time, in order to strengthen the normalization of the epidemic management, the Company has formulated the *COVID-19 Prevention and Control Measures and Emergency Plan for Sudden Outbreaks* and other document.

Covid-19 vaccination rates for employees **99.5%**

In 2021, COVID-19 epidemic outbreak repeatedly in many provinces of China. The Company has strengthened epidemic prevention and control management, required employees to wear masks scientifically. The Company also adopted personnel control, strictly controlled all kinds of personnel outside and investigated the basic situation of all employees and other measures to consolidate the achievements of epidemic prevention and protect the health of employees. None of the Company's employees have been infected. At present, the Company's operation and production have not been affected by the epidemic.

Due to the Company's proper control, the recurrence of the COVID-19 outbreak during the reporting period did not have any adverse impact on our business operations and financial performance.



Staff Voluntarily Get Vaccinated



# 05

## Environment



JL MAG strictly abides by the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution* and the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*.

The Company is committed to promoting emission reduction, reducing solid waste discharge and reducing the consumption of water, paper, energy and other materials, so as to improve the health security and environment of operation.

JL MAG has established an environment related risk control system, formulates overall development strategy of environmental protection, environmental management objectives and realizes the implementation plan for environmental protection and guides, supervises and evaluates the risk control related to the environment. Through the effective operation of ISO 14001:2015 environmental management system, the Company has implemented energy saving and consumption reduction, and strictly controlled and reduced the pollution of waste water, waste gas and solid waste as well as noise to the community, creating a good working environment.

Non-hazardous waste treatment

**1,237** tonnes

Waste water treatment

**249.3** thousand tonnes

Hazardous waste treatment

**407** tonnes

Compliance rate of the wastes treatment

**100.00** %

In 2021, the total investment in environmental protection

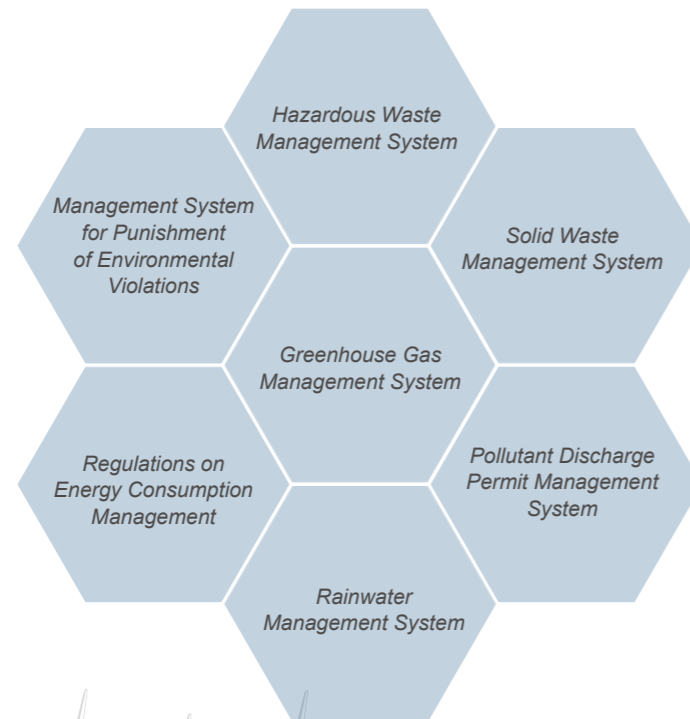
about RMB **10.18** million

Number of environmental accidents

**0** Time

## Environmental Governance

JL MAG has established the following internal management systems in terms of environmental governance as well as resource and energy use.



We have formulated and implemented internal environmental protection rules in accordance with relevant environmental laws and regulations, and we have obtained ISO 14001 certification in terms of environmental compliance. In addition, the Company's newly constructed and under construction facilities and other relevant projects have completed the submission or approval of environmental impact assessment documents. By now, the Company has obtained all necessary environmental licenses and permits, including the sewage discharge permit. These licenses are within the validity period and are subject to regular review and renewal.

We have never been denied the renewal of the required licenses and permits, and we do not expect to encounter any major difficulties in renewing these licenses and permits in the future.



## Resource and Energy Use

In order to save energy, to improve energy utilization rate and economic performance, to protect the environment and to strengthen the Company's energy refinement management, JL MAG has formulated the *Regulations on Energy Consumption Management*, which defines the organization structure and post responsibility system of the Company's energy management, the standards and criteria for the use, measurement, statistical report and consumption cost of water, electricity and gas have been formulated. The rights and responsibilities, organizational structure and division of labor of energy management have been clarified. Meanwhile, the *Regulations on Energy Consumption Management* focuses on reducing energy consumption and saving cost through energy inspection, staggered peak power consumption and other measures. The Company also conducts regular inspection and improvement and implements relevant performance appraisal.

We select and use nationally recognized energy-saving and technologically advanced products when purchasing equipment. We vigorously carry out energy-saving technology transformation activities in production, and gradually update and replace high-energy equipment under the condition of meeting the production process requirements, and continuously reduce energy consumption.

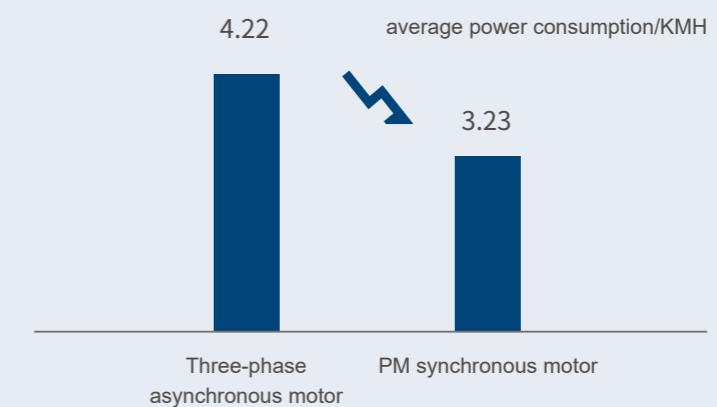
### Case

#### Technology of Energy-saving Transformation

Through the statistical analysis of motor energy consumption, the three-phase asynchronous motor is replaced by high-efficiency and energy-saving three-phase PM synchronous motor through technical transformation by the Company. For example, the 15KW three-phase asynchronous motor of the sintering furnace is replaced by a 15KW PM synchronous motor, the energy saving rate is more than 20%. Currently, a total of 164 equipment has been completely replaced, which can save 118 thousand KWh of electricity annually. In the subsequent selection of equipment, PM synchronous motors are purchased to reduce the use of energy.



Comparison of energy consumption after motor replacement



## Wastes Treatment

JL MAG strictly abides by the *Law of the People's Republic of China on Appraising of Environment Impacts*, the *Regulations on the Administration of Construction Project Environmental Protection* and the *Interim Measures for the Acceptance of Environmental Protection after the Completion of Construction Projects*.

All wastes discharged during the production process of the Company, such as waste water, waste gas and solid waste, are collected, treated and recycled by qualified third-party service providers. The compliance rate of waste treatment is 100%.

In addition, we apply environmental protection technology in the production process to reduce pollutant emissions. We reduce wastewater discharge through classified collection and pretreatment. We recycle and reuse wastewater by equipping water treatment and recovery system. We reduce sludge discharge by strengthening magnetic sludge recycling and reducing waste water content of sludge. We closely monitor gas emissions and implement effective measures to control noise pollution. In the future, we will gradually increase the investment in terms of treated water reuse.



## Green Operation

According to the resolution passed by the Board of Directors, the Company plans to cooperate with Goldwind Technology to carry out the green power plan, including the construction of photovoltaic power stations of no more than 15 MW in the idle areas of production plants (including Ganzhou plant, Baotou plant and Ningbo plant). The Company will continue to adhere to the concept of green development in its future business operation. In addition to contributing REPMs to help China and the whole world achieve "Carbon peak and Carbon Neutrality" goals, the Company will also actively cooperate with leading new energy companies including Goldwind Technology to carry out green power plan according to business needs.

Through the construction of information system, the Company promotes paperless office and saves the use of paper. JL MAG actively carried out afforestation in plants.

### Case

#### Greening and Planting



Ganzhou plant has 8,292.39 square meters of land available for afforestation, 80% of which has been afforested, and the rest is expected to be completed in 2022.



Baotou plant has 5,647.94 square meters that can be afforested and is expected to be completed in 2022-2023.

# 06

## Community

Number of employees from the former national key urban areas of poverty alleviation and development

**2,062**

The proportion of employees from the former national key urban areas of poverty alleviation and development

**58.42%**

In 2021, the total amount of community donation

RMB **2.14** million.

Since its establishment in 2008, the Company has made a total tax contribution of

RMB **644** million to the local community.

Since the Company set up scholarships in a number of colleges and universities in 2012,

**840** participants have been rewarded

The accumulated amount of scholarships or education funds is RMB **2.20** million.

## Community Contribution

Our Ganzhou plant is located in the mountain area of Gannan. We are well aware of the social responsibility of enterprises, provide targeted assistance to local communities to get rid of poverty, and recruit migrant workers from poor counties and regions within the jurisdiction of Ganzhou city, such as Gan County, Shangyou County, Yudu County, Nankang Distinct and so on.

JL MAG always adheres to the core value of "Customer Orientation and Value Co-creation", makes every effort to give back to the society and take the initiative to assume more social responsibilities. Since its establishment in 2008, the Company has made a total tax contribution of RMB644 million to the local communities. JL MAG became the major taxpayer for ten consecutive years in Ganzhou Economic and Technological Development Zone, and won the "Top Taxpayer" Award in Ganzhou Economic and Technological Development Zone.

Since its establishment in 2008, the Company has made a total tax contribution of

RMB **644** million to the local communities.

**JL MAG became the major taxpayer for ten consecutive years in Ganzhou Economic and Technological Development Zone, and won the "Top Taxpayer" Award in Ganzhou Economic and Technological Development Zone.**

Number of employees from the former national key urban areas of poverty alleviation and development **2,062**

The proportion of employees from the former national key urban areas of poverty alleviation and development **58.42%**



## Public Welfare

Since the establishment of the Company, JL MAG has actively responded to the call for poverty alleviation and organized employees to participate in public welfare projects of "assistance projects" for many times. The Company actively donated money to improve living conditions in remote mountain villages, built hope primary schools, and set up special scholarships to support college students to complete their education.

In July 2021, in order to support the local emergency management, the Company donated

RMB **1,000** thousand

through Ganzhou Charity Federation for the procurement of emergency materials and equipment and the training of emergency team personnel.

In October 2021, the Company donated

RMB **200** thousand

to the First Affiliated Hospital of Gannan Medical College through Ganzhou Charity Federation for medical staff to purchase epidemic prevention equipment.

The Company set up scholarship and education fund of

RMB **940** thousand in schools.

JL MAG actively undertakes social responsibility, practices educational public welfare, cooperates with many colleges and universities to carry out excellent talent scholarship program, and inspires the majority of students to establish lofty ideals and study assiduously. By 2021, the Company has set up scholarships in Tsinghua University, Tongji University, Harbin Institute of Technology, Nanchang University, Nanchang Aviation University, Jiangxi University of Technology, Shenyang University of Technology and other universities to reward excellent students in electrical engineering, automobile and vehicle, powder metallurgy, metal materials, magnetic materials, rare earth, electromechanical and other majors. Since the Company set up scholarships in colleges and universities in 2012, 840 participants have been rewarded, with a total reward amount of RMB2.2 million .

The total amount of scholarships or education funds is

RMB **2.20** million

The scholarship has funded **840** Participants



# Performance Indicators

We have studied our quantitative information in terms of environmental, social and climate related risk management, including GHG emissions and resource consumption. GHG emissions include scope I and scope II. Direct emissions in scope I are mainly from fossil fuel combustion. Indirect emissions in scope II are mainly from purchased electricity. The following table illustrates our annual GHG emissions and resource consumption data:

ESG Index		Unit	Data		
Environment			2021	2020	2019
A1 Emissions					
A1.2	Total GHG emissions	tCO <sub>2</sub> e	91,005	73,971	51,812
	Scope I	tCO <sub>2</sub> e	2,562	2,177	558
	Scope II	tCO <sub>2</sub> e	88,443	71,793	51,254
	Unit GHG emissions	tonne/RMB1,000	0.02	0.03	0.03
	Waste water treatment volume	10,000 tonnes	24.93	/	/
A1.3	Hazardous waste	tonne	407	/	/
A1.4	Non-hazardous waste	tonne	1,237	/	/
A1.6	Compliance rate of the waste treatment	%	100	/	/
A2 Use of Resources					
A2.1	Power consumption	KWh	168,239	136,568	97,496
	Unit power consumption	MWh/RMB1,000	0.04	0.06	0.06
	Natural gas consumption	m <sup>3</sup>	1,184,947	1,007,188	258,078
	Unit natural gas consumption	m <sup>3</sup> /RMB1,000	0.31	0.44	0.16
A2.2	Water consumption amount	tonne	732,345	551,868	576,571
	Unit water consumption	tonne/RMB1,000	0.19	0.24	0.35
A4 Climate Change					
A4.1	Renewable energy usage ratio	%	5	/	/

Society			2021	2020	2019
B1 Employment					
B1.1	Total number of employees	Person	3,529	3,043	2,195
	Number of employees from ethnic groups	Person	141	45	35
Total number of employees by gender					
B1.1	Number of male employees	Person	2,332	2,041	1,493
	Number of female employees	Person	1,197	1,002	702
Total number of employees by age					
B1.1	Under 30	Person	1,038	837	512
	31-40	Person	1,797	1,557	1,133
	41-50	Person	651	608	502
	51 and above	Person	43	41	48
Total number of employees by employment type					
B1.1	Regular employees	Person	3,529	3,043	2,195
	Total number of employees in other type	Person	0	0	0
Total number of employees by education background					
B1.1	Education below Bachelor degree	Person	3,183	2,754	1,969
	Bachelor degree	Person	291	243	191
	Master degree and above	Person	55	46	35
Total number of employees by employee category					
B1.1	Senior management	Person	8	8	8
	Middle management	Person	190	138	105
	General staff	Person	3,331	2,897	2,082
Total number of employees by region					
B1.1	Ganzhou City, Jiangxi Province	Person	3,148	3,020	2,178
	Baotou City, Inner Mongolia Province	Person	354	5	0
	Rest of China and overseas	Person	27	18	17

Society			2021		
Employee turnover rate by age					
B1.2	Under 30	%	12.09		
	31-40	%	9.76		
	41-50	%	7.86		
	51 and above	%	4.55		
Employee turnover rate by gender					
B1.2	Male employees	%	9.80		
	Female employees	%	10.93		
Employee turnover rate by region					
B1.2	Ganzhou City, Jiangxi Province	%	11.15		
	Baotou City, Inner Mongolia Province	%	0.45		
	Rest of China and overseas	%	6.90		
Society			Unit	Data	
B2 Health and Safety					
2021					
B2.1	Death accident	No.	0		
B2.2	Working days lost due to work injury	day	657.5		
B2.3	Comprehensive emergency rescue drill	No.	1		
	Special emergency rescue drill against hazardous chemical leakage	No.	1		
	Special fire emergency drill	No.	4		
	On-site emergency response drill	No.	8		
	Safety production investment	RMB10,000	718.64		
B3 Development and Training					
			2021	2020	2019
B3.1	Employee training rate	%	100	100	100
	Average training hours per employee	hour	183.93	164.54	142.7
Training hours by employee category					
B3.2	Average training hours for senior management	hour	112	108	104
	Average training hours for middle management	hour	201.63	183.4	183
	Average training hours for general staff	hour	182.03	163.8	140.89
Training hours by employee gender					
	Male employees	hour	429,108.69	335,497.06	212,908.40
	Female employees	hour	220,164.21	164,375.46	99,747.30

Society			Unit	Data
B5 Supply Chain Management				
	Total number of Suppliers	Company	148	
Number of suppliers by region				
B5.1	East China	Company	51	
	Central China	Company	51	
	South China	Company	24	
	North China	Company	17	
	West China	Company	5	
B5.3	Coverage of supplier environmental and social risk review	%	100	
B5.4	proportion of using recycled rare earth metals (Pr-Nd, Dy, Tb)	%	24.25	
B6 Product Responsibility				
2021				
B6.3	R&D investment	million	160.16	
	Patents obtained	Item	50	
	Patents pending	Item	35	
B8 Community Investment				
B8.1	Number of employees from nearby poor communities	No.	2,062	
	Proportion of employees from nearby poor communities	%	58.42	
B8.2	Total community donations	million	2.14	
	Accumulative number of students with the help of scholarship	Participant	840	

# List of Policy

	Laws and regulations	JL MAG Internal policies
A1 Emissions	<p><i>Law of the People's Republic of China on Environmental Protection</i></p> <p><i>Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution</i></p> <p><i>Law of the People's Republic of China on the Prevention and Control of Water Pollution</i></p> <p><i>Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution</i></p> <p><i>Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution</i></p>	<p><i>Hazardous Waste Management System</i></p> <p><i>Solid Waste Management System</i></p> <p><i>Rainwater Management System</i></p> <p><i>Management System for Punishment of Environmental Violations</i></p> <p><i>Pollution Discharge Permit Management System</i></p>
A2 Use of Resources	<p><i>Law of the People's Republic of China on Conserving Energy</i></p>	<p><i>Regulations on Energy Consumption Management</i></p>
A3 Environment and Natural Resources	<p><i>Law of the People's Republic of China on Environmental Protection</i></p>	<p><i>Greenhouse Gas Management System</i></p>
B1 Employment	<p><i>Labor Law of the People's Republic of China</i></p> <p><i>Labor Contract Law of the People's Republic of China</i></p> <p><i>Law of the People's Republic of China on the Protection of Worker's Rights and Interests</i></p> <p><i>Social Insurance Law of the People's Republic of China</i></p>	<p><i>Compensation Management Procedure</i></p>
B2 Health and Safety	<p><i>Labor Law of the People's Republic of China</i></p> <p><i>Labor Contract Law of the People's Republic of China</i></p> <p><i>Social Insurance Law of the People's Republic of China</i></p> <p><i>Production Safety Law of the People's Republic of China</i></p> <p><i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i></p>	<p><i>Hazard Identification and Risk Assessment Management Procedures</i></p> <p><i>Occupational Health and Safety Management Procedure</i></p> <p><i>Full Staff Responsibility System</i></p> <p><i>Production Safety Accident Emergency Plan</i></p> <p><i>Safety Production Education and Training System</i></p> <p><i>COVID-19 Prevention and Control Management Measures</i></p> <p><i>Epidemic Outbreak Emergency Response Plan</i></p>
B3 Development and Training	<p><i>Labor Law of the People's Republic of China</i></p> <p><i>Labor Contract Law of the People's Republic of China</i></p> <p><i>Social Insurance Law of the People's Republic of China</i></p>	<p><i>Lean Production and Refinement Management Talent Certification Measures</i></p> <p><i>Qualification Management System</i></p> <p><i>Qualification Evaluation Standards</i></p> <p><i>Management System of Part-time Safety Officers</i></p>

	Laws and regulations	JL MAG Internal policies
B4 Labour Standards	<p><i>Labor Law of the People's Republic of China</i></p> <p><i>Labor Contract Law of the People's Republic of China</i></p> <p><i>Law of the People's Republic of China on the Protection of Worker's Rights and Interests</i></p> <p><i>Social Insurance Law of the People's Republic of China</i></p> <p><i>Implementation Regulations of the Work's Contract Law of the People's Republic of China</i></p> <p><i>Regulations on Prohibition of Child Labor by Order of the State Council of the People's Republic of China (No. 364)</i></p>	<p><i>Human Resource Management Procedure</i></p>
B5 Supply Chain Management	<p><i>Company Law of the People's Republic of China</i></p> <p><i>The Civil Code of the People's Republic of China Contract Part</i></p>	<p><i>Supplier Management Procedure</i></p> <p><i>Warehousing Management Procedure</i></p>
B6 Product Responsibility	<p><i>Cybersecurity Law of the People's Republic of China</i></p> <p><i>Patent Law of the People's Republic of China</i></p> <p><i>Intellectual Property Law of the People's Republic of China</i></p> <p><i>Product Quality Law of the People's Republic of China</i></p>	<p><i>Project Information Security Management System</i></p> <p><i>Management Procedure for Customer Complaints</i></p> <p><i>Measures for the Administration of Science and Technology Innovation Awards</i></p> <p><i>Customer Satisfaction Survey Management Procedures</i></p> <p><i>Intellectual Property Management System of JL MAG</i></p> <p><i>Change Control Procedures</i></p> <p><i>Product Delivery Control Procedure</i></p> <p><i>Production Process Monitoring and Measurement Control Procedures</i></p>
B7 Anti-corruption	<p><i>Criminal Law of the People's Republic of China</i></p> <p><i>Anti-Corruption Law of the People's Republic of China</i></p> <p><i>Anti-Unfair Competition Law of the People's Republic of China</i></p> <p><i>Company Law of the People's Republic of China</i></p> <p><i>The Civil Code of the People's Republic of China Contract Part</i></p>	<p><i>Anti-money Laundering Management System</i></p> <p><i>Anti-fraud Management System</i></p> <p><i>Company Reporting Whistle-blowing Management System</i></p> <p><i>Information Disclosure System</i></p> <p><i>Measures for the Administration of Investor Relations</i></p>



# Appendix- HKEX Environmental, Social and Governance Reporting Guide

Description		Disclosed content
<b>A1 Emissions</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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment List of Policy
A1.1	The types of emissions and respective emissions data.	Environment
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).	Performance Indicators
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Indicators
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Indicators
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment governance
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.	Performance Indicators
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Climate risk prevention Resource and energy use List of Policy
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).	Performance Indicators
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Indicators
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Carbon neutrality pathway
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.	Performance Indicators
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not material issue
<b>A3 Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Helping China achieve "Carbon Peak and Carbon Neutrality" goals List of Policy
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental governance
<b>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.	Helping China achieve "Carbon Peak and Carbon Neutrality" goals
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.	Helping China achieve "Carbon Peak and Carbon Neutrality" goals Performance Indicators

Description		Disclosed content
<b>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.	Employment List of Policy
B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Performance Indicators
B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Indicators
<b>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.	Safety List of Policy
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance Indicators
B2.2	Lost days due to work injury.	Performance Indicators
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Employee Health
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training List of Policy
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Indicators
B3.2	The average training hours completed per employee by gender and employee category.	Performance Indicators
<b>B4 Labour Standards</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 preventing child and forced labor.	List of Policy
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Not material issue
B4.2	Description of steps taken to eliminate such practices when discovered.	Not material issue
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain List of Policy
B5.1	Number of suppliers by geographical region.	Performance Indicators
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.	Supply chain Performance Indicators
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Performance Indicators

Description		Disclosed content
B6 Product Responsibility		
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 health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product List of Policy
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Service
B6.2	Number of products and service-related complaints received and how they are dealt with.	Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property rights
B6.4	Description of quality assurance process and recall procedures.	Quality
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Service
B7 Anti-corruption		
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.	Commercial behavior List of Policy
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.	Commercial behavior
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Commercial behavior
B7.3	Description of anti-corruption training provided to directors and staff.	Commercial behavior
B8 Community Investment		
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.	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sports).	Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Performance Indicators



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