

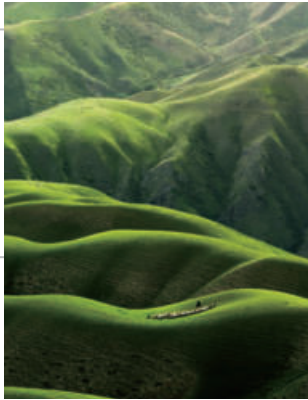







# 2023 Environmental, Social and Governance (ESG) Report

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# About This Report

This Environmental, Social, and Governance (ESG) Report is released by Hengdian Group DMEGC Magnetics Co., Ltd. (hereinafter referred to as "DMEGC" or "the Company"). Its purpose is to illustrate the Company's social responsibility practices and address the expectations and demands of stakeholders effectively. This Report is the second ESG report released by DMEGC and is published concurrently with the Company's *Annual Report 2023*. DMEGC has consistently issued 14 consecutive Social Responsibility Reports and introduced its inaugural Environmental, Social, and Governance (ESG) Report in 2023. This Report was reviewed and approved at the 9th Meeting of the 9th Board of Directors of the Company held on March 7, 2024.



## Reporting Period

The time frame of this Report is from January 1, 2023 to December 31, 2023. To enhance the comparability and completeness of the Report, some of the contents are appropriately traced back to previous years.



## Reporting Scope

Unless otherwise specified, this Report covers the Company and its wholly-owned and holding subsidiaries.

## Contact Us

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## Data Sources



The financial data involved in the Report is extracted from the Company's 2023 financial statement. In case of any discrepancy with the financial statement, the financial statement shall prevail. Other data come from the Company's internal statistical statements, administrative documents and third-party evaluation and interviews. Unless otherwise specified, the monetary amounts involved in this Report are measured in RMB.

## Compilation Conformance



This Report is prepared with reference to the *Global Report Initiative Sustainability Reporting Standards* (GRI Standards), the *UN Sustainable Development Goals* (UNSDGs), the *Sustainability Accounting Standards Board (SASB) Standards*, *Guidance on Social Responsibility Reporting (GB/T 36001)*, the *Guidelines No. 1 for Self-Regulation of Listed Companies -- Standardized Operation of Listed Companies*, the *Guidelines No. 1 for Self-Regulation of Listed Companies -- Business Handling* released by the *Shenzhen Stock Exchange* and the *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0)* and elaborates from the perspective of all stakeholders.

## Compilation Principles



The content of the Report has been structured systematically according to the principles of "materiality", "quantitative", "balance" and "consistency". This Report was prepared by identifying key stakeholders and material ESG-related topics, understanding stakeholders' views, and determining the materiality of the topics. Subsequently, we determined the scope of the ESG Report, collected relevant Report information and data, sorted, summarized and reviewed the information in the Report.

## Release Form



The Report is issued annually in printed and electronic formats. For details of the Report, please visit the information disclosure website designated by the Shenzhen Stock Exchange (hereinafter referred to as "SZSE") (<http://cninfo.com.cn>) or the Company's official website (<http://www.chinadmegc.com>)



# Board Statement

In 2023, the global economy experienced a deceleration in growth alongside the emergence of heightened geopolitical tensions, the pressing issue of climate change, disruptions in supply chains, and other destabilizing factors, all of which have introduced a plethora of uncertainties to both the global economy and industrial progress. Within this macroeconomic landscape, there has been a notable increase in demands from markets and stakeholders for enhancing resilience in business development. Meanwhile, spurred by concerted efforts from various stakeholders, China has established a comprehensive policy framework to achieve its dual carbon goals with clearly defined objectives. Proactively advancing renewable energy initiatives, continuously refining energy structures, and expediting the green transformation of industries have emerged as prevailing societal trends. Against this backdrop, DMEGC, deeply rooted in China yet embracing a global outlook, assumes a mantle of responsibility and commitment. Embracing the principles of profound internalization and digitalization, the Company endeavors to steer its dual-core businesses of "Magnetic Materials + New Energy" towards a trajectory of high-quality development in 2023.

**Continuously optimizing the governance structure, we have actively steered the Company towards steady and robust development.**

We persistently optimized our corporate governance structure by successfully merging the Strategy Committee and the ESG Management Committee into the Strategy and ESG Committee. This committee includes core members from the Board of Directors, and it integrates ESG considerations into decision-making processes for sustainable strategic development. Our commitment to excellence in governance and ethical business practices has positioned us as a Model Unit for the Construction of an Honest Private Enterprise in Jinhua City. We have enhanced the risk control and management system and set up a Risk Control Committee to improve capabilities in identifying, managing and resolving risks. We have also improved shareholders' rights protection and shareholder return planning, enabling shareholders to receive higher dividends consistently while safeguarding their three rights. During this year, with the diligent efforts of the Shareholder Meeting, the Board of Directors, the Board of Supervisors and the senior management, the Company's governance and risk resistance capabilities have been further improved, and its operating performance has maintained steady growth.

**Through the advancement of greening and digitalization, we are dedicated to empowering the industry upgrades.**

Upholding the philosophy of "eco-friendly, smart and sustainable" development, we have increased our investment in the new energy sector. Our focus is on distinguishing photovoltaic products and expanding global market operations, which serves as a key driving force for the Company's sustainable development. The Company has established the leading and working group of the carbon peaking and carbon neutrality goals project, planning a path towards carbon neutrality, with the goal of reaching carbon peak in 2030 and achieving carbon neutrality by 2050. We have contributed to developing low-carbon industrial production by continuously improving the environment and resources management system through manufacturing process optimization, research and development (R&D) of resource recycling technologies, promoting green energy coverage, and building zero-carbon factories. In 2023, the Company's headquarters module factories and Jiangsu DMEGC have achieved 100% coverage of green power. To further empower the Company's industrial development through digitalization, we have implemented robust measures to advance comprehensive digitalization and conducted an overall plan for digital transformation. We have been promoting the construction of smart factories in various industries with precise logistics, mobility management, and data-based decision-making.



**With a focus on quality innovation, we lead win-win cooperation throughout the industry chain.**

Our relentless dedication to R&D and product certification, combined with improvements to our innovation incentive mechanisms and talent development initiatives, has produced remarkable results. As a result, in 2023, we have successfully launched 18 new globally leading products in the industry. Moreover, we are committed to innovation-driven green manufacturing by consistently integrating green design into the lifecycle management of our products. DMEGC has actively conducted lifecycle carbon footprint analysis and assessment on various module products. We have maintained mutual trust and benefits with our upstream and downstream partners to foster collaborative development and global operations. Together with them, DMEGC has also built a sustainable supply chain and strategic partnerships to enhance our brand popularity and reputation and further improve our resilience in counter-cyclical development.

**Remaining true to our original aspiration for development, we consistently uphold social responsibility and commitment.**

In our 2023 ESG Report, we have further listened to the opinions of our stakeholders on material topics, updated the topics of high importance to the Company and society, and presented key responses in the Report. Moving forward, we will continue to deepen our partnerships with all stakeholders, enhance our capabilities in environment, social and governance aspects, and practice the concept of sustainable development in a globalized, digitized and eco-friendly manner. This aims to address the challenges related to global poverty, inequality, climate change, environmental degradation, prosperity, peace, and justice, thereby contributing positively to the achievement of the United Nations Sustainable Development Goals (UNSDGs).

—— Board of Directors of Hengdian Group DMEGC Magnetics Co., Ltd.

**Guided by the people-oriented principle, we have successfully implemented the philosophy of "co-creation, co-ownership, co-prosperity and co-sharing".**

Throughout our journey, we have steadfastly adhered to this principle, fostering collaboration, inclusivity, and safety for all stakeholders. By consolidating diversified and fair career growth paths, optimizing the compensation and performance system, improving occupational health and safety measures, and improving overseas expatriate employee care initiatives, we continue to strengthen employee welfare and practice our promise to sharing the benefits of talent growth and development in every detail. At the same time, we actively undertake social responsibility and pass on love and care, continue to recruit people from economically backward areas for employment, support the revitalization of villages and organize activities such as blood donation and public welfare cleaning to give back to society through warm actions.



# 01

## About DMEGC





# Corporate Profile

## Introduction to DMEGC

Hengdian Group DMEGC Magnetics Co., Ltd ("DMEGC", stock code 002056) is a national high-tech company underpinned by the dual drivers of "Magnetic Materials & New Energy". The Company has been the largest industrial taxpayer in Dongyang City for 27 consecutive years, serving as the Vice Chairman of the China Electronic Components Association and a market leader in China's magnetic ferrite industry. We are also one of the world's first photovoltaic module manufacturers awarded with low-carbon certification, one of the first batch of China's National Knowledge Infrastructure demonstration enterprises, National Technology Innovation Demonstration Enterprise and "National Green Factory".

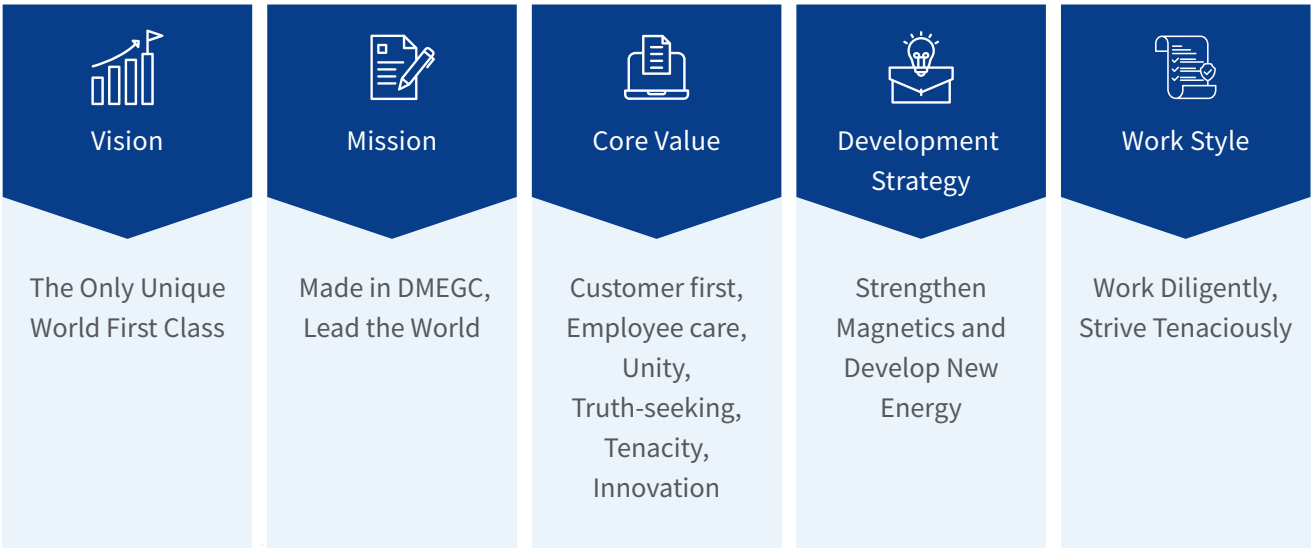
DMEGC has over 40 years of manufacturing expertise, during which it has achieved significant international presence and core competencies in both magnetic materials and new energy through relentless R&D innovation, global operational expansion, smart manufacturing upgrades, and management transformations. In 2023, DMEGC ranked first in the industry in ferrite magnetic material shipments and ranked in the top ten globally for photovoltaic product shipments, as reported by INFOLINK.

Globally, DMEGC boasts 10 manufacturing bases, nearly 20 marketing bases and warehousing centers, more than 18,000 employees, and product footprints in nearly 70 countries and regions. With a comprehensive strategy of seeking progress while maintaining stability, continuous technological innovation and smart manufacturing upgrades, and a global production, logistics, sales, and service network, most of DMEGC's magnetic material products have served the world's top 500 companies and industry leaders. We have been awarded successively as "BOSCH APAC Best Supplier" and "BOSCH Global Best Supplier", and have been rated as the "Excellent Supplier" by Denso (Japan) and Samsung (South Korea). The Solar Division continually ranks in Bloomberg's global top tier of PV manufacturers, establishing leading brands in global black modules and the European distributed market.

DMEGC remains steadfast in its commitment to manufacturing, persistently driving technological innovation and facilitating transformation and upgrading initiatives to create value for customers. We aim to exceed our achievements in high-tech, environmental protection, and smart manufacturing, aspiring to be a leading enterprise in the manufacturing sector's transformation and upgrade in the new era.

## Corporate Culture

DMEGC places high importance on cultivating a strong corporate culture, learning from the advanced cultures of exceptional international enterprises, and integrating these insights with the Company's unique characteristics and qualities. DMEGC has embraced the philosophy of "Culture is the habits" since 2010, focusing on transforming products into culturally enriched offerings, shaping brand culture, and nurturing the thinking habits of its workforce.



Corporate Culture



Products and Applications

DMEGC mainly engages in the R&D, production, sales and provision of one-stop technical solutions for related products such as "Magnetic Materials + Components" and "Photovoltaic + Lithium Battery". By the end of 2023, the Company has an annual production capacity of 238,000 tons of magnetic materials, 14GW photovoltaic cells, 12GW photovoltaic modules and 7GWh lithium batteries.

Types	Major products	Application scenarios
 Magnetic materials	Ferrite powder, permanent magnetic ferrite, soft magnetic ferrite, plastic-bonded ferrite magnets, metal powder cores and nanocrystals	They are mainly used in new energy vehicles, photovoltaic products, home appliances, consumer electronics, telecommunications, big data centers, charging piles, smart terminals, and the industrial Internet.
 Components	Vibration devices, inductors, EMC filter and circulators	
 Photovoltaic products	Silicon wafers, cells and modules	DMEGC provides global customers with highly-efficient distributed photovoltaic products and centralized power station solutions for households and businesses. Also, we invest an appropriate amount to build photovoltaic power stations.
 Lithium battery products	Ternary cylindrical lithium batteries, battery packs and energy storage products	Lithium battery products are mainly used in electric two-wheelers, portable energy storage, electric tools, and smart small household appliances. Energy storage products are used for households and businesses.

Major Products and Application Scenarios

Global Operations

With Zhejiang Hengdian as its center, DMEGC has set up 10 manufacturing bases, nearly 20 marketing bases and warehousing centers globally. This strategic expansion has facilitated the creation of a comprehensive global network encompassing manufacturing, logistics, sales, and service, effectively catering to the diverse needs of customers worldwide. Manufacturing bases are mainly located in Zhejiang, Jiangsu, Sichuan, Henan, Guangxi, and Anhui domestically, while internationally, we span across India, Vietnam and other parts of Southeast Asia. Marketing bases and warehousing centers are mainly located in Germany, the Netherlands, France, Spain, Poland, Japan, the United States, Brazil, and Australia. We adhere to the "Customer first" philosophy and implement the "Local for local" strategy. Our collaborative approach, both internally and externally, coupled with flexible office hours, enables our customer service personnel to overcome language, cultural barriers as well as time differences. As a result, we deliver suitable solutions to meet the unique needs of customers and markets. Presently, our products have been exported to nearly 70 countries and regions.



# ESG Key Figures

	2023	2022	2021
Operating revenue (RMB 100 million)	197.21	194.51	126.07
Net profit attributable to shareholders (RMB 100 million)	18.16	16.69	11.20
R&D investment (RMB 100 million)	8.77	9.39	6.03
Shipments of magnetic materials (10,000 tons)	19.85	18.4	20.7
PV product shipments (GW)	9.95	8.01	4.83
Lithium battery shipments (100 million units)	3.4	1.94	1.36

Total tax payment (RMB 100 million)	11.12
Total authorized patents (item)	2,101
Led or participated in standard formulation (item)	52
Investment in automation technology (RMB 10,000)	6,759.95
Total energy consumption/million revenue (RMB)	9.77 tce/million revenue
Total investment in environmental protection (RMB 10,000)	11,261.65
Investment in safe production (RMB 10,000)	3,637.5
Employee training	177,488 participants, 308,000 training hours

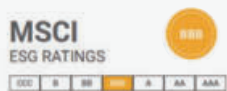
## Key Performance



Jiangsu DMEGC New Energy Co., Ltd. was certified as a  
**“Zero Carbon Factory”**



Awarded bronze certification by EcoVadis.  
**Bronze Certification**



MSCI (Morgan Stanley Capital International) ESG rating: upgraded from BB to  
**BBB**



CDP, Climate Disclosure Project

- Climate change rating: upgraded from B- to **B**
- DMEGC completed the CDP Water Security Questionnaire for the first time and received a **B** Class rating

# Corporate Influence

1	Listed in Bloomberg New Energy Finance's "Tier 1 Solar Panels Manufacturers" for the 5th consecutive year -- Bloomberg New Energy Finance (BloombergNEF-BNEF)
2	"TOP Brand PV Modules" by EUPD Research for the 6th consecutive year -- EUPD Research
3	Recognized as Top Performer in PVEL's PV Module Reliability Scorecard for the 3rd consecutive year -- PVEL (PV Evolution Labs)
4	Shortlisted PVBL Top 100 Solar PV Brands in the World 2023
5	2023 TÜV SÜD Light·Storage Quality Efficiency Award
6	2023 Most Influential PV Module Enterprise -- the organizing committee of "Solar Energy Cup" selection in the photovoltaic sector
7	2023 Most Influential Distributed PV Enterprise -- the organizing committee of "Solar Energy Cup" selection in the photovoltaic sector
8	TÜV SÜD "Best Carbon Neutrality Practice Award" in the photovoltaic sector
9	TÜV SÜD "Best Popularity Award for Carbon Neutrality within Solar & Energy Storage Industry"
10	Polaris Cup 2023 Annual Influential Photovoltaic Module Brand award --GUANGFU.GJX.COM.CN
11	2021-2022 Bosch Global Supplier Award--the Bosch Group
12	2023 Strategic Supplier Award--the Midea Group
13	2023 Best Cooperation Award--BorgWarner
14	The first Four-star Zero-carbon Factory in PV sector by TÜV SÜD
15	The world's first TÜV Rheinland IEC TS 63209-1:2021 Photovoltaic modules- Extended-stress testing and Italy's Environmental Product Declaration (EPD), N-Type TOPCon Modules have obtained TÜV Rheinland double-glazing product certification, TÜV SÜD PID (192H) Rigorous Test Certification, TÜV SÜD single-glazing product certification, and TÜV Nord Ultra High-Load Certification for All-Black Modules.
16	CNAS Laboratory Accreditation Certificate

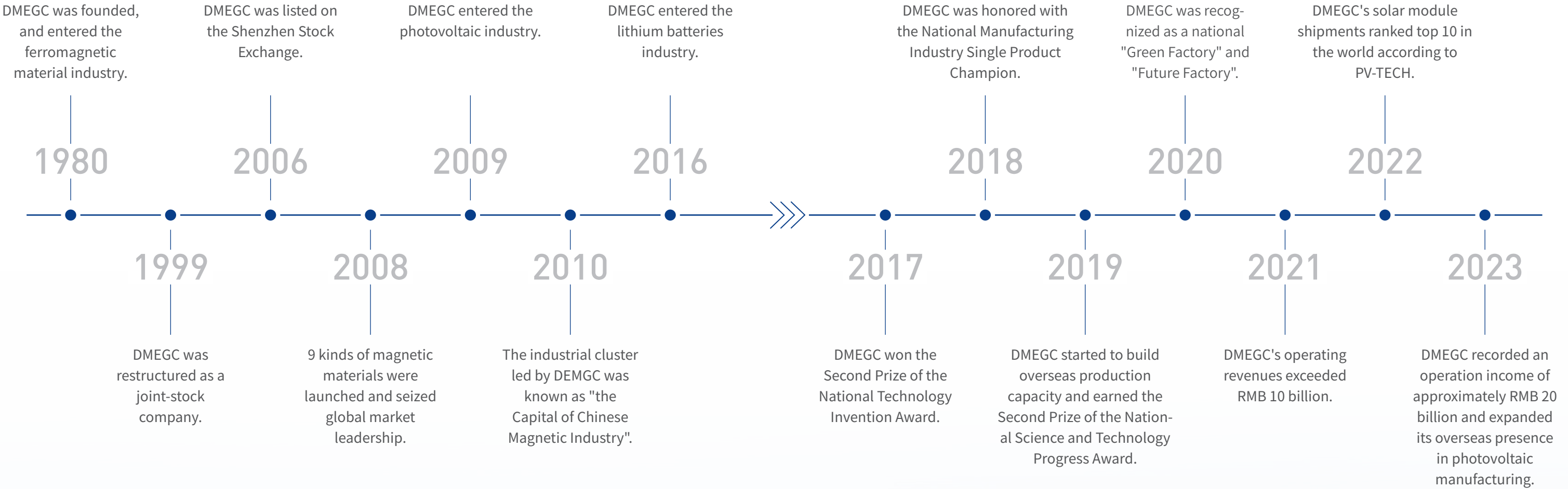
Honors	Award winners	Institutions
2023 National Intellectual Property Demonstration Enterprises	Hengdian Group DMEGC Magnetics Co., Ltd.	Ministry of Industry and Information Technology
National Technology-based Small and Medium-sized Enterprises	Dongyang DMEGC Automation Technology Co., Ltd.	Department of Science and Technology of Zhejiang Province
2023 China's top 500 manufacturing private enterprises	Hengdian Group DMEGC Magnetics Co., Ltd.	All-China Federation of Industry and Commerce
2023 List of China's 5G factories	No.1 Solar Cell Factory of DMEGC	Ministry of Industry and Information Technology
Listed in 2023 "Top 500 Chinese Energy Enterprises (Group)"	Hengdian Group DMEGC Magnetics Co., Ltd.	China Energy News, China Institute of Energy Economics Research
Ranked 61 among TOP 100 in 2023 Hurun China Most Valuable Private Energy Companies	Hengdian Group DMEGC Magnetics Co., Ltd.	The Hurun Research Institute
2023 one of the science and technology leading enterprises in Zhejiang Province	Hengdian Group DMEGC Magnetics Co., Ltd.	Department of Science and Technology of Zhejiang Province
2023 First batch of "Eagle Action" cultivation enterprises in Zhejiang Province	Hengdian Group DMEGC Magnetics Co., Ltd.	Economy and Information Technology Department of Zhejiang
Top 73 among 500 innovative high-tech enterprises of Zhejiang 2023	Hengdian Group DMEGC Magnetics Co., Ltd.	Department of Science and Technology of Zhejiang Province
The first Zhejiang Intellectual Property Awards-the Third Prize of Invention Patent (A self-controlled temperature-current limiting lithium-ion battery pole piece and its preparation method and application)	Hengdian Group DMEGC Magnetics Co., Ltd.	The People's Government of Zhejiang Province



Honors	Award winners	Institutions
The first batch of enterprise chief data officer pilot enterprises in Zhejiang Province	Hengdian Group DMEGC Magnetics Co., Ltd.	Economy and Information Technology Department of Zhejiang
2023 "Worker Pioneer" enterprises of Zhejiang Province	No.1 Soft Magnet Factory of DMGEC	Zhejiang Provincial Federation of Trade Unions
One of the second batch of pilot enterprises for the "New Eight-level Workers" system in Zhejiang Province	Hengdian Group DMEGC Magnetics Co., Ltd.	Zhejiang Skilled Talent Evaluation Management Service Center
One of 2022 (22nd) enterprises with Top 30 operating income in Zhejiang's electronic information manufacturing industry	Hengdian Group DMEGC Magnetics Co., Ltd.	Economy and Information Technology Department of Zhejiang
2022 Top 20 Exporting Enterprises in Zhejiang Province	Hengdian Group DMEGC Magnetics Co., Ltd.	Economy and Information Technology Department of Zhejiang
2023 Youth Safety Production Demonstration Post of Jinhua City	Solar Division Safety Management Team, Hengdian Group DMEGC Magnetics Co., Ltd.	The Jinhua Committee of the China's Communist Youth League and Jinhua Emergency Management Bureau
2023 Jinhua City Safe Unit and Smart Safe Unit	Hengdian Group DMEGC Magnetics Co., Ltd.	Jinhua Politics and Law Committee, the Public Security Bureau of Jinhua City
Five-star Primary-level Party Organization	Hengdian Group DMEGC Magnetics Co., Ltd.	Organization Department of the CPC Jinhua Municipal Committee, working committee of the CPC Jinhua Municipal Committee for new economic organizations and new social organizations

Honors	Award winners	Institutions
Model Unit for the Construction of an Honest Private Enterprise in Jinhua City	Hengdian Group DMEGC Magnetics Co., Ltd.	Jinhua Municipal Commission for Discipline Inspection of the CPC, the United Front Work Department of Jinhua Municipal Party Committee of the CPC
2022 top 10 scale of manufacturing output value in Jinhua city	Hengdian Group DMEGC Magnetics Co., Ltd.	Jinhua Leading Group for Industrial Transformation and Upgrading
2022 top 10 industrial taxpayers in Jinhua city	Hengdian Group DMEGC Magnetics Co., Ltd.	Jinhua Leading Group for Industrial Transformation and Upgrading
2022 Jinhua city top 10 innovative enterprises	Hengdian Group DMEGC Magnetics Co., Ltd.	Leading Group for Building Strength in Science and Technology of Jinhua Municipal Committee of the CPC
2022 top 10 foreign trade enterprises in Jinhua city	Hengdian Group DMEGC Magnetics Co., Ltd.	Jinhua Municipal People's Government
Demonstration Enterprise for the Construction and Reform of the Industrial Workforce in Dongyang in the new era	Hengdian Group DMEGC Magnetics Co., Ltd.	Coordination Group for the Reform and Development of the Industrial Workforce Team in Dongyang in the New Era

# Company Milestones





# 02

## Scientific Governance and Sound Operation



DMEGC has continuously optimized its governance structure and management mechanism to ensure the sound operation of the Company and to protect the legitimate rights and interests of shareholders with a high-level corporate governance. Meanwhile, we attach great importance to internal risk control management and abide by business ethics to enhance the Company's sustainability capacity.

+ The UNSDGs responded to in this chapter



+ Material topics addressed in this chapter

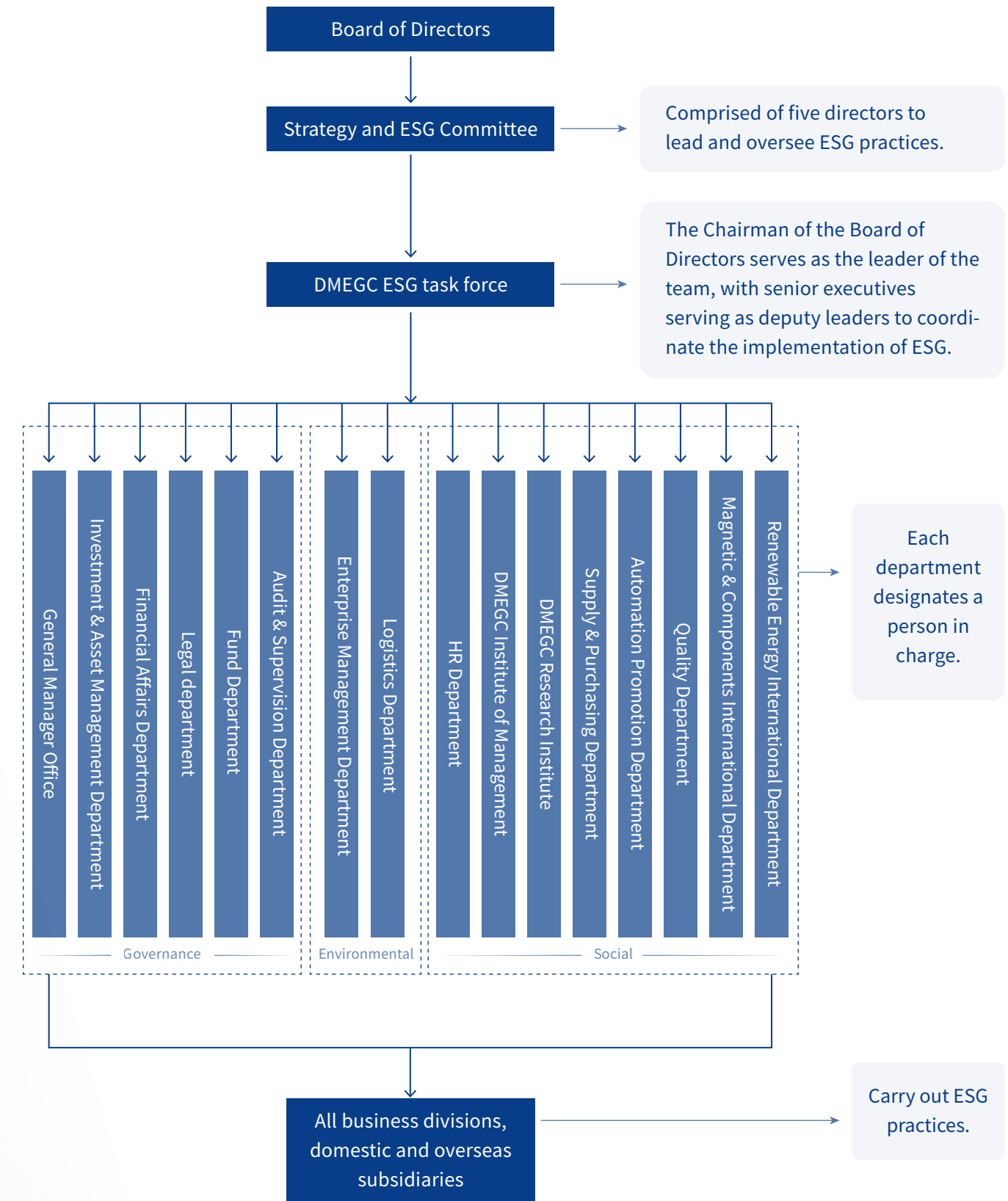
- Shareholders' Rights and Interests
- Business Ethics and Anti-Corruption
- Corporate Governance
- Economic Efficiency
- Risk Management
- Compliance Operation



# ESG Management

## ESG Management System

Adhering to the concept of "co-creation, co-ownership, co-prosperity and co-sharing", the mission of "take root in Hengdian, march into the world" and the vision to become "the most socially responsible enterprise", DMEGC actively promotes the harmonious development of the enterprise and society. We integrate the concept of social responsibility into our strategic system and daily management. In March 2023, DMEGC renamed the Strategy Committee under the Board of Directors as the Strategy and ESG Committee and formulated the *Rules of Procedure of the Strategy and ESG Committee of the Board of Directors*. This aims to meet the needs of the Company's strategic and sustainable development, improve the ESG framework, and promote the sustainable development and ESG goals. The Strategy and ESG Committee convenes regular meetings at least once a year to review, evaluate and supervise significant ESG matters within the Company, including setting objectives, formulating strategies or policies, executing management, conducting risk assessments, managing performance, disclosing information and reporting to the Board of Directors. Within the company, a three-tier management framework has been established, with the Board of Directors comprehensively leading the decision-making. This framework is coordinated and managed by the ESG task forces, and is practically implemented by various management departments and business divisions, aiming to steadily improve the development of the ESG management system.



Stakeholder Communication


The Company has prioritized the expectations and demands of key stakeholders. During the reporting period, the Company has maintained regular communication with stakeholders through diverse channels to promptly understand their expectations and demands. We also actively responded to the concerns of stakeholders with practical actions.

Stakeholders	Main topics of concern	Response measures and effectiveness	Communication Channels
 Shareholders	<ul style="list-style-type: none"><li>Steady operation</li><li>Investment returns</li><li>Disclosure quality</li><li>Risk management</li></ul>	<ul style="list-style-type: none"><li>Focusing on the stable and sound development of the major business segments</li><li>Strengthening risk control capability</li><li>Improving the quality of information disclosure</li><li>Maintaining stable and sustainable dividend payouts</li></ul>	<ul style="list-style-type: none"><li>Company announcement</li><li>The Shareholder Meeting</li><li>Issuance of periodic reports</li><li>Issuance of in-depth research reports</li><li>Performance briefings</li><li>Research receptions</li></ul>
 Customers	<ul style="list-style-type: none"><li>Product quality</li><li>R&amp;D and innovation</li><li>Information security</li><li>High-quality services</li></ul>	<ul style="list-style-type: none"><li>Optimizing quality management system</li><li>Enhancing product innovation capabilities</li><li>Safeguarding customer rights and privacy</li><li>Improving pre-sale, during-sales, and after-sales product services</li></ul>	<ul style="list-style-type: none"><li>Customer visits</li><li>Industry exchanges</li><li>Satisfaction surveys</li></ul>
 Employees	<ul style="list-style-type: none"><li>Diversity and equality</li><li>Compensation and benefits</li><li>Training and development</li><li>Health and safety</li><li>Care and belonging</li></ul>	<ul style="list-style-type: none"><li>Establishing a scientific human resources management system</li><li>Enriching training programs to facilitate promotion pathways</li><li>Conducting regular hazard inspections</li><li>Offering regular health examination</li><li>Enriching employees' recreational activities</li></ul>	<ul style="list-style-type: none"><li>Satisfaction surveys</li><li>Employee training</li><li>Grievance channel</li><li>Recreational activities</li><li>Assistance programs</li></ul>

Stakeholders	Main topics of concern	Response measures and effectiveness	Communication Channels
 Government	<ul style="list-style-type: none"><li>Operational compliance</li><li>Tax obligations according to law</li><li>Environmental protection</li><li>Safe production</li><li>Industrial development</li></ul>	<ul style="list-style-type: none"><li>Optimizing the internal compliance management</li><li>Proactively fulfilling tax obligations in legal compliance</li><li>Strictly regulating the emission of all forms of waste in accordance with guidelines</li><li>Strengthening safety protocols in production management</li><li>Focusing on core operations for sustained business development</li></ul>	<ul style="list-style-type: none"><li>Meeting exchange</li><li>Supervision and inspection</li><li>Policy suggestion</li></ul>
 Suppliers	<ul style="list-style-type: none"><li>Fostering collaboration for mutual benefit</li><li>Adhering to contractual agreements</li><li>Waste management</li><li>Risk management</li></ul>	<ul style="list-style-type: none"><li>Improving the supplier management system</li><li>Resolutely upholding the business code of conduct</li><li>Ongoing assessment and auditing of suppliers</li></ul>	<ul style="list-style-type: none"><li>Admission certification</li><li>Communication and training</li><li>Assessment and feedback</li></ul>
 Communities and non-governmental organizations	<ul style="list-style-type: none"><li>Product quality oversight</li><li>Research and development endeavors</li><li>Community welfare and philanthropy</li><li>Community outreach and advancement</li></ul>	<ul style="list-style-type: none"><li>Promoting product innovation</li><li>Participating in charitable assistance activities</li><li>Participating in industry associations and academic exchanges</li></ul>	<ul style="list-style-type: none"><li>Environmental conservation endeavors</li><li>Volunteer activities</li><li>Public welfare projects</li><li>Rural revitalization</li></ul>


Determination  
of Material  
ESG Topics

The Company places paramount importance on the identification and management of material ESG topics. We determine the material topic pool by analyzing the industrial policy trends and benchmarking with peers and disclosure standards. Employing a systematic analysis approach through questionnaire surveys, we assess material topics faced by DMEGC based on two critical dimensions: the "significance to the development of DMEGC" and the "significance to stakeholders". These material topics serve as pivotal pillars supporting the effective advancement of the Company's ESG initiatives.




Analyzing, evaluating  
and determining  
material topics

By analyzing the survey results, the Company has evaluated the importance of 28 topics and created a materiality matrix for this year. The matrix is confirmed by senior management to determine the final material topics.




Identifying  
ESG-related topics

According to our strategic priorities, industrial focus and regulatory requirements, the Company has collected and established a 2023 ESG-related material topic pool by referring to domestic and international authoritative criteria, such as UNSDGs, MSCI and SASB, and benchmarking international outstanding ESG practice cases. The material topic pool covers 28 topics.



Creating the  
two-dimensional  
materiality matrix of  
material topics

From the two dimensions of the "significance to the development of DMEGC" and the "significance to stakeholders", we have created a materiality matrix based on the importance ratings given by our stakeholders and the weightage of these ratings.

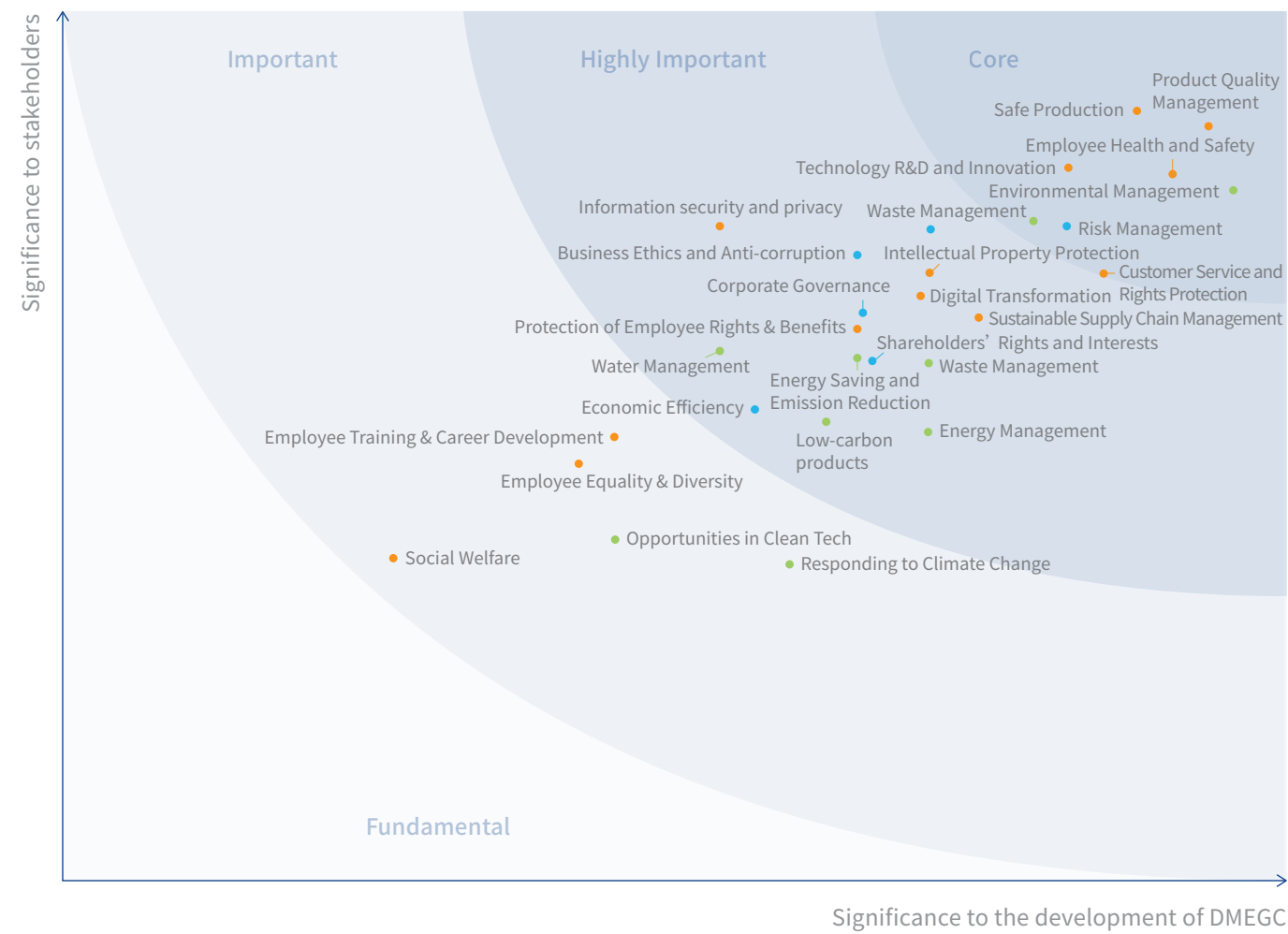


Conducting surveys  
among stakeholders

We have conducted online surveys centered on our identified topics included in the material topic pool to invite feedback from stakeholders. A total of 412 valid questionnaires were collected at this stage.



DMEGC 2023 Materiality Matrix



Environmental Topic
Environmental Management
Pollutant Management
Waste Management
Energy Saving and Emission Reduction
Energy Management
Water Resource Management
Low-Carbon Products
Responding to Climate Change
Opportunities in Clean Tech

Social Topic
Safe Production
Product Quality Management
Employee Health and Safety
Technology R&D and Innovation
Customer Service
Sustainable Supply Chain Management
Intellectual Property Protection
Digital Transformation
Information Security and Privacy
Employee Rights and Benefits
Employee Training and Career Development
Employee Equality and Diversity
Social Welfare

Governance Topic
Risk Management
Compliance Operation
Business Ethics and Anti-Corruption
Corporate Governance
Shareholders' Rights and Interests
Economy Efficiency

# Corporate Governance

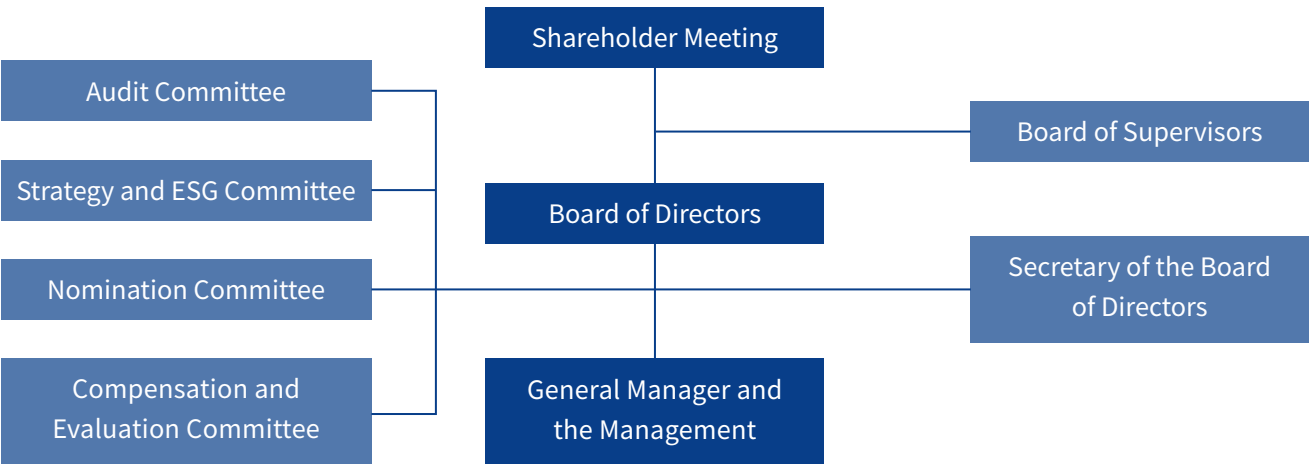
## Deepening Governance Structure

DMEGC strictly abide by laws and regulations such as the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies in China*, and the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*. We have established a sound and effective corporate governance framework, which includes the Shareholder Meeting, the Board of Directors, the Board of Supervisors, and the management, along with a comprehensive internal control system. The Company has successively formulated rules and regulations such as the *Articles of Association*, the *Rules of Procedure for Meetings of the Shareholder Meeting*, the *Rules of Procedure for Meetings of the Board of Directors*, the *Rules of Procedure for Meetings of the Board of Supervisors*, the *Rules of Procedure of the Specialized Committees*, the *System for Independent Directors* and the *Rules of the General Manager*. These documents delineate the roles and powers in decision-making, execution, and supervision, facilitating role-specific duties and checks and balances, thus promoting standardized company operations.

As the supreme authority of the Company, the Shareholder Meeting is responsible for determining the Company's operating principles and investment plans. The Board of Directors is accountable for the Shareholder Meeting and is primarily responsible for the Company's daily business decisions. The Board consists of 7 members, including 3 independent directors, fulfilling the requirements of corresponding laws and regulations regarding the number and composition of the Board's members. The current members possess professional expertise in various fields such as industry, finance, law and economics. Committees under the Board such as the Strategy and ESG Committee, the Audit Committee, the Nomination Committee and the Compensation and Evaluation Committee functioned effectively in 2023, diligently fulfilling their roles and providing robust supplements to the Board's decision-making with their specialized knowledge.

As the supervisory body of the Company, the Board of Supervisors oversees and inspects the Company's compliance operation, financial status and the performance of directors and senior managers. The Board of Supervisors consists of 3 members, including 1 employee representative supervisor.




The General Manager and other senior executives are accountable to the Board of Directors, implementing the decisions and managing daily operations of the Company.



Corporate Governance Structure

### Data of Meetings Held:

In 2023, the Company has held 9 meetings of the Board of Directors, 6 meetings of the Board of Supervisors, 3 Shareholder Meetings, 7 Audit Committee meetings, 3 Strategy and ESG Committee meetings, 4 Nomination Committee meetings, and 2 Compensation and Evaluation Committee meetings. All decision-making processes complied with legal standards, and the resolutions were effectively implemented.

Data of Meetings Held			
	Number of the Shareholder Meetings	Number of proposals considered by the Shareholder Meeting	Among them: counted separately by small and medium shareholders
	3	30	23
	Number of meetings of the Board of Directors	Attendance of directors	Number of proposals considered by the Board of Directors
	9	100%	56
	Number of meetings of the Board of Supervisors	Attendance of supervisors	Number of proposals considered by the Board of Supervisors
	6	100%	31

## Protecting Shareholders' Rights

### Key Performance

The Shenzhen Stock Exchange has evaluated DMEGC's information disclosure as

**A-level**

from 2022 to 2023.

The information disclosure has been evaluated by the Shenzhen Stock Exchange as

**A-level**

for five consecutive years.

In accordance with legal regulations such as the *Guidelines for Investor Relations Management by Listed Companies*, the *Guidelines No. 1 for Self-Regulation of Listed Companies -- Standardized Operation of Listed Companies* and relevant regulations of the *Articles of Association*, the Company has formulated the *Investor Relations Management System* to effectively manage investor relations, safeguarding investors' rights to information, participation, dividend entitlement and other related interests.

The Company respects and protects the rights of all shareholders as the owners. We hold the Shareholder Meeting in strict accordance with the *Rules of Procedure of the Shareholder Meeting and the Articles of Association*, proactively inviting shareholders with significant interests in the Company. We also concurrently provide secure, cost-effective and convenient video conferencing option to facilitate the participation of other shareholders in the meetings. During deliberations on significant matters that may affect the interests of small and medium-sized investors, separate vote counting is carried out for these shareholders to guarantee their equal rights.

In strict compliance with the requirements of the *Information Disclosure Management Policy*, the *Internal Reporting System for Material Information*, the *Management Policy for Insiders Registration* and other related regulations and policies, we disclose relevant information in a timely, accurate, truthful manner on the Shenzhen Stock Exchange website and the media meeting the requirements of the China Securities Regulatory Commission. To safeguard shareholders' rights to access information crucial for decision-making, we regularly disclose data with significant potential impacts on shareholders or other stakeholders via the Company's website, official WeChat account and SZSE Easy Interaction platform on a daily basis. We adhere to the principle of "respect, equality, initiative and continuity" and build effective communication channels with investors, such as regular performance briefings, on-site investigations, brokers' strategy conferences, investor hotline, SZSE Easy Interaction platform and reverse roadshows.

### Key Performance

In 2022, the annual dividend was

**RMB 584 million**

accounting for

**35%**

of distributable profit.

Since the Company's listing, cumulative dividends of

**RMB 2.765 billion**

have been distributed, accounting for

**34.4 %**

of the accumulated net profit attributable to shareholders of the listed company.

The Company has appointed the Board Secretary as the person in charge of investor relations management and staffed dedicated Investor Relations Officers to support the coordination of investor relations, facilitate shareholders' visits, and address inquiries from investors. Moreover, we maintain excellent, thorough and effective communication with investors interested in the company's growth, promoting investors' understanding and endorsement of the company, and fostering a constructive interactive mechanism with investors.

In 2023, we issued 116 regular and interim reports and received approximately 870 online and offline investor surveys. These surveys were conducted through joint or independent on-site survey receptions or online conference exchanges with mainstream brokers. Additionally, we participated in more than 40 offline strategic meetings with brokerage firms. Furthermore, we held an annual performance online briefing with 110 participants engaging in around 120 questions during the real-time interaction. 127 questions were answered on SZSE Easy Interaction platform, achieving a response rate of nearly 100%. Throughout the year, the attention of brokerage analysts to the Company continued to increase, resulting in the issuance of nearly 30 research reports or commentaries.

In 2023, the Company won 7 external honors, including the "17th Top 100 Main Board Listed Companies Values", "Outstanding IR Company", "Outstanding IR Team", "Best Small and Medium Investor Interaction Award", "2023 Best Practices of Boards of Directors' Office Award", "China Top 100 Enterprises Award and China's Most Ethical Enterprises Award".

Furthermore, the Company attaches great importance to investor returns. In 2023, we re-formulated the *Shareholders' Return Plan for the Next Three Years (2024-2026)*, continuously refining our scientific, sustainable and stable dividend decision-making and oversight mechanisms. This has further bolstered the transparency of the profit distribution policy, actively rewarding shareholders and fostering a long-term and rational investment principle among stakeholders.



# Risk Management

## Compliance Operation

The Company upholds principles of honesty, compliance with the law, fair competition, integrity, and self-discipline. We have prioritized the establishment of a standardized and professional compliance system, fostering a culture of compliance and elevating our adherence to compliance standards across all interactions with stakeholders. A robust compliance system serves as a vital safeguard to strengthen internal oversight and mitigate operational risks. The Company has established and effectively implemented various policies and systems, including the *Employee Code of Conduct*, the *Rules and Regulations of the Factory*, the *Regulations for Law and Discipline Management* and the *Internal Control Management System*. These measures are diligently implemented to encourage employees to fulfill their duties in alignment with established rules and regulations. A specialized team has been assembled to develop a robust business process and compliance management system. This team is tasked with tracking and disseminating real-time updates on policy trends, such as overseas trade control and sanctions, aiming to aid the Company in establishing an effective trade compliance response mechanism, resulting in a consistent year-by-year increase in export trade volume. We have optimized planning and management for the supply chain by improving the traceability of the supply chain according to the requirements of specific national regulations and policies to mitigate the potential impact of supply chain issues on business operations. The Company has also continuously improved the authenticity and compliance of data through comprehensive advancement in informatization and digitalization. In addition, the Company has conducted multiple rounds of compliance training sessions to consistently elevate compliance awareness among all employees, covering various topics such as the “Five Ones” Project, the *Civil Code*, legal risks, and international trade terms and policies.

## Risk Control System

### Key Performance in 2023

Training Performance - Risk management training

conducted

18 sessions

participation of employees

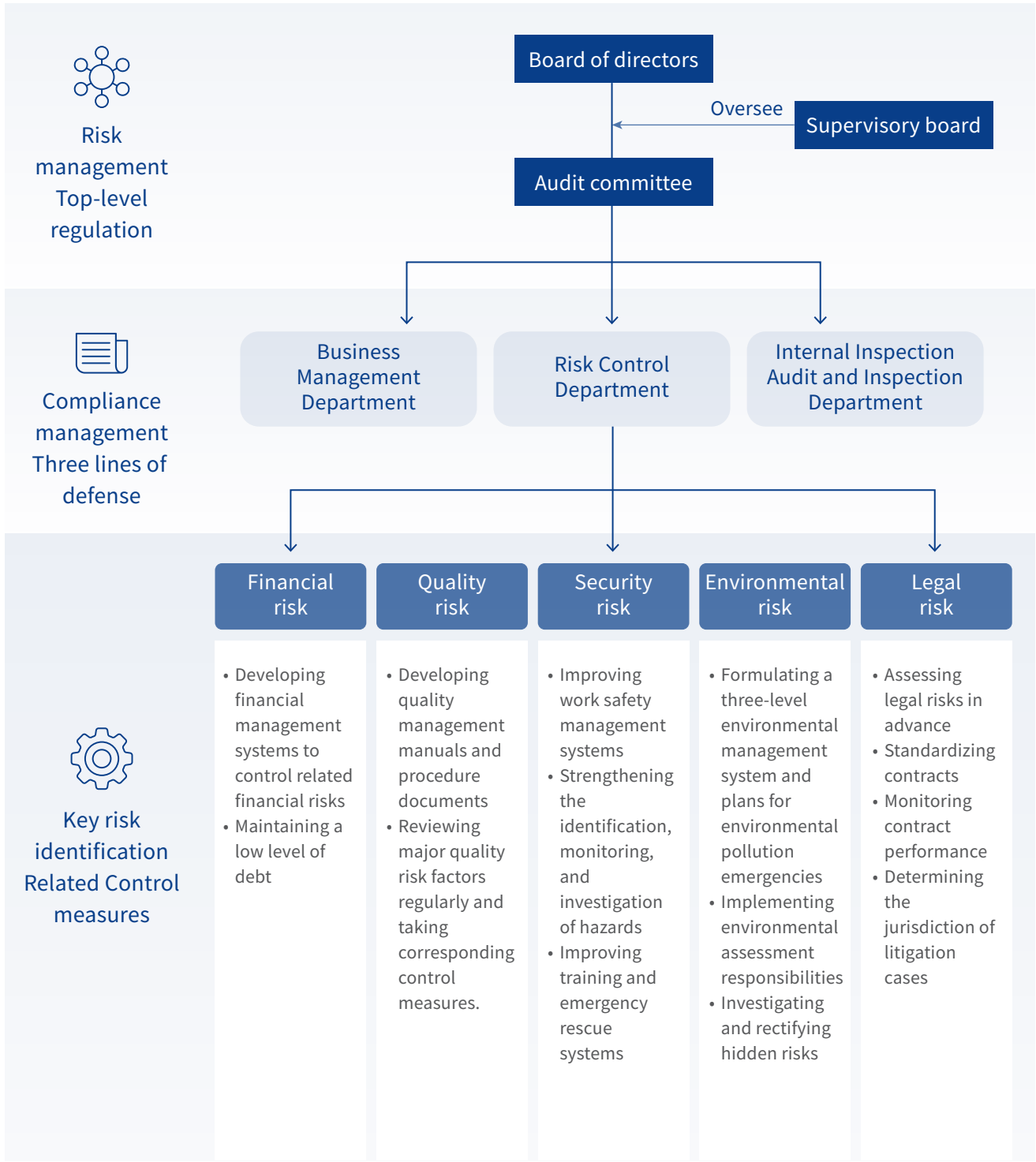
756 participants

total training hours

1,688.5 hours

A sound internal control and risk management system guarantees the Company strictly adhered to the *Company Law of the People's Republic of China*, the *Basic Norms Enterprise Internal Control* and the related guidelines, as well as the internal control regulatory requirements of the China Securities Regulatory Commission and the Shenzhen Stock Exchange. Taking into account the Company's actual situation, characteristics and management needs, we formulated an internal control system covering all departments and processes. This ensured clear delineation of responsibilities in internal control assessments and risk evaluations, while implementing effective preventative measures to enhance the quality of risk management. The business divisions and authorized factories, as the primary entities managing operational risks, strengthened monitoring and risk prevention measures while providing services. The Audit & Supervision Department carried out tasks and promptly followed up and improved upon identified issues. In 2023, when faced with the risk of entrusted financial products failing to be redeemed as scheduled, the Company responded quickly by establishing the Risk Control Committee to enhance its capabilities of risk identification, handling, response and resolution capabilities. Furthermore, revisions were made to the entrusted financial management system to lower the risk level of investment products and avoid any adverse impact on business operations.

During the reporting period, the Company has organized and executed the internal control evaluation according to its standardized internal control system and the evaluation procedures. No significant omissions were noted in the departments, business operations and matters included in the evaluation scope. Based on the identification of major defects in the Company's internal control, no significant deficiencies were found in internal control of financial and non-financial reports up to the conclusion of the internal control evaluation report.



Risk Control System

# Business Ethics and Anti-Corruption

We steadfastly adhere to the principles of ethical business conduct, emphasizing integrity and self-discipline. DMEGC strictly complies with the *Criminal Law of the People's Republic of China* and the *Law against Unfair Competition of the People's Republic of China*. Holding a "zero tolerance" attitude towards corruption, we have intensified business ethics training and protected the rights and interests of whistleblowers. In 2023, the Company was honored as a Model Unit for the Construction of an Honest Private Enterprise in Jinhua City.

## Ethical Principles in Business

Abiding by the *DMEGC Anti-Corruption Statement*, we have developed the *Management of Gift and Gratuity Handover and Basic Code of Conduct for Buyers* in internal management. To prevent corruption, bribery, money laundering, unfair competition, fraud and conflict of interest, we set up a clean development task force, embedding clean governance in our day-to-day management. In external cooperation, the Company requires all suppliers to sign the *Supplier Integrity Commitment* and we send the *DMEGC Statement Anti-Corruption Statement* to them regularly to ensure fair competition and honest operations.

Key Performance

In 2023, the number of confirmed incidents of corruption was

3

all of these cases were addressed promptly and handled rigorously following the Company's regulations, with a handling rate of

100%



Protecting the Rights and Interests of Whistleblowers

Continuing to regulate the management of complaint and reporting, we have established accessible channels for complaints and reports, including General Manager's mailbox, public email, telephone, website messages and employee forums. These avenues are set up to encourage employees and stakeholders to actively report any behaviors that may harm the interests of the Company and the employees. We place a high emphasis on whistleblower protection, strictly maintaining the confidentiality of information related to whistleblowers and case witnesses, staunchly preventing any threats or retaliatory actions against whistleblowers.

In 2023, we received 15 reports, all of which were effectively addressed and provided with feedback



Reporting Mechanism Flowchart

Business Ethics and Anti-Corruption Training

To develop a culture of integrity and compliance and enhance the awareness of business ethics among employees and partners, we have carried out different types of business ethics and anti-corruption training to guide employees in establishing sound ethical values in business.

Key Performance in 2023

Training Performance - Business ethics and anti-corruption training

	conducted <b>28</b> sessions	participation of employees <b>1,116</b> participants	total training hours <b>1,630</b> hours
--	---------------------------------	---------------------------------------------------------	--------------------------------------------



# Information Security and Privacy Protection

The Company attaches considerable importance to information security and customers' privacy protection by formulating internal systems, such as the *Network Data Security Management Regulations*, the *Information Security Incident Management System*, the *Emergency Response Plan for Information Security (Trial)* and the *Accountability System for Information Security (Trial)*. These systems ensure the information system operates safely, reliably and stably.

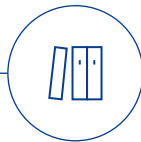
## Highlights initiatives



### Strengthening information security protection technology

- Completed the wireless network access authentication and implemented access control for user terminals accessing the network.
- Established a reasonable network topology through network planning, and partitioned the east-west area of the intranet through firewall equipment and ACL access control to reduce the affected area in the same region.

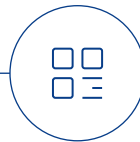
1



### Improving information security system

- Reinforced the terminal system by deploying system patches, anti-virus software and standardized application whitelists.

2



### Improving employees' awareness of security risk

- Required newly hired employees to undergo information security training and examination to ensure that they possess essential knowledge in information security, and to strictly protect, legally and properly use the confidential information and business secrets of third parties such as customers and suppliers, while avoiding any infringement on others' intellectual property.

3

In 2023, the Company has carefully sorted out and strengthened the storage mechanism and process of customer privacy data. We have conducted a hierarchical management strategy for data assets by strictly classifying them according to its sensitivity. Highly sensitive data has been encrypted to avoid potential security risks. In the future, the Company will continue to carry out regular information security rectification measures while ensuring customer privacy and data security, in order to further solidify the protection of customer privacy and data security.



# 03

## Low-carbon and Green Development



DMEGC prioritizes green environmental practices within its operations, continually refining its environmental management system. By actively addressing the challenges posed by climate change, seizing opportunities in clean energy, reducing waste and pollution at the source, striving to minimize carbon emissions and energy consumption in production, we are committed to contributing to achieving the dual carbon goals (also known as carbon peaking and carbon neutrality goals) and building a greener ecosystem.

+ The UNSDGs responded to in this chapter



+ Material topics addressed in this chapter

- Environmental Management
- Responding to Climate Change
- Waste Management
- Energy Management
- Pollutant Management
- Energy Saving and Emission Reduction
- Water Resource Management
- Low-carbon Products
- Opportunities in Clean Tech



# Environmental Management

## Environmental Management System



ISO 14001 Environmental Management System Certification

DMEGC adheres to implementing the environmental management policy of "following environmental protection laws and regulations, improving environmental performance, preventing environmental pollution, and seeking sound corporate development". The Company strictly abides by the regulations and standards of environmental protection to further enhance environmental management, such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, the *GB30484-2013 Emission Standard of Pollutants for Battery Industry*, and the *GB39731-2020 Discharge Standard of Water Pollutants for Electronic Industry*.

The Company continues to improve the environmental management system, forming an environmental protection task force with a three-tier environmental management network consisting of company-level, department-level and factory-level components. It clearly defines that each executive official serves as the principal officer for environmental preservation within their respective department and comprehensively shoulders the responsibility of leading environmental initiatives. The director of each production factory is the primary individual responsible for environmental protection within the scope of direct management. This role is directly accountable for environmental protection efforts and is required to fully implement the environmental performance appraisal responsibility system.

In 2023, the Company revised a series of environmental protection management systems, adding the *Management System for Environmental Emergencies*, the *Waste Gas and Wastewater Discharge Management System*, the *Environmental Management System for Project Construction*, the *Penalty System for Environmental Protection Management*, and compiled the *Safety and Environmental Protection Management System Manual* to further enhance the Company's institutionalized management of environmental protection. The Company is committed to implementing the signing of the annual environmental protection target and the annual evaluation mechanism, which involves the

### Key Performance

The Company has invested RMB in environmental protection

112.62 million

two-level signing of the *2023 Environmental Protection Target Responsibility Book* between the Company and each business division, and between each division and its major subsidiaries abroad. We continue to advance the implementation of ISO 14001 environmental management system and follow the "3 Simultaneous" principles to ensure environmental protection measures go along with construction projects. DMEGC and its subsidiaries, such as Chengji Electronics, Sichuan DMEGC, Jinchuan Electronics, and Qixian DMEGC, have all been certified by ISO 14001 environmental management system.

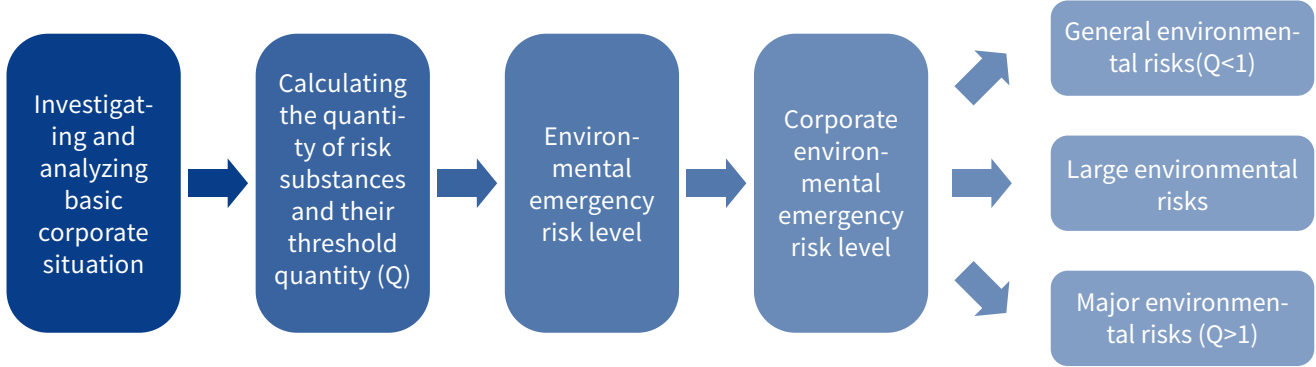
The Company conducts monthly safety and environmental protection meetings to analyze and summarize significant and emblematic safety and environmental cases in China along with practical incidents within the Company, promptly disseminating knowledge of the latest environmental laws and regulations. In the meantime, we put forward suggestions for rectifying potential environmental hazards identified during inspections and allocate the key environmental tasks for each department in the upcoming month. In 2023, the Company has proposed a total of 1,145 rectification cases of environmental hazards in environmental protection management, of which 1,142 cases have been completed, achieving a completion rate of 99.7% and effectively reducing environmental operational risks.

In the special meeting on environmental protection, the Company conducts thematic discussions on matters such as in-depth investigation and optimization of the rainwater and wastewater pipeline network in factories, upgrading and renovation of old treatment facilities for pollution sources, investment and construction "3 Simultaneous" plans for environmental protection facilities for new projects, optimization of production layout and integrated centralized treatment of waste gas, enhancement and transformation of hazardous waste warehouses. The Company also proposes solutions or optimization plans to improve the effectiveness of investments in environmental protection. In 2023, the Company has completed 3 construction projects with environmental impact assessment and 12 environmental protection "3 Simultaneous" completion and acceptance projects.

In addition, the Company implements the environmental protection lean project management mechanism to promote and implement environmental technological transformation projects related to energy conservation, emission reduction, cost reduction, and efficiency enhancement in a planned, focused, and targeted manner. In 2023, the Company has formulated 28 lean management projects of environmental protection with approximately RMB 2.98 million of the economic benefits generated by the completed projects.

Emergency Response Management

The Company has formulated the *Plan for Environmental Pollution Emergencies* and an implementation plan for environmental pollution emergency drills to improve the emergency response mechanism for environmental emergencies and enhance our capability of responding to environmental pollution accidents. We have established a three-level emergency response mechanism covering workshops, factories areas and external areas. The emergency command team of each business division classifies and manages environmental pollution based on the severity, the impact scope and the nature of accidents.



DMEGC Classification Process Diagram of Environmental Emergencies

According to the planned response procedure, the Company carries out emergency drills for environmental emergencies by industry and formulates specialized emergency drill plans. By organizing observations, drills, and self-evaluations and inviting chemical companies and superior leaderships to visit and evaluate the emergency drills, the Company's capacity for responding to environmental emergencies has been further enhanced. In 2023, the Company has conducted a total of 34 response drills for environmental emergencies with 611 participants. While carrying out a normalized control for environmental risks, we have further maintained emergency team building and the adequate allocation of emergency supplies.



The Company conducted comprehensive drills on specialty gas chemical leakage accidents



The company conducted comprehensive emergency drills for natural gas leakage accidents

Ecological Protection

The Company actively improves the ecological environment in production and operation, with a strong emphasis on environmental protection during project construction. Committed to fostering a harmonious coexistence between humanity and nature, we formulated the *Environmental Management System for Project Construction*, the *Greening Management System* and the *Soil Pollution Management System*. Each business division adheres to the "3 Simultaneous" principles of environmental protection during project construction to ensure that projects and supporting environmental facilities comply with environmental impact assessments and local ecological environmental department requirements, thereby minimizing the negative impact of project construction on the ecological environment.

The Company's environmental protection department is responsible for tailored management and planning of greenery planting, maintenance, and drought resistance in various factory areas. We have built many artificial nests in large green areas of the factory to protect avian habitats. Each division conducts regular environmental risk inspections and rectification to minimize the negative impact of production and operation on the ecological environment.



Environmental  
Protection  
Training

The Company periodically publishes documents, news, knowledge and case studies on its environmental protection information exchange platform to promote the sharing, exchange and learning of such information. Meanwhile, based on a systematic and scientific training system with diversified training forms, we promote environmental protection concepts such as cleaner production, low-carbon operation, and green office, and conduct environmental protection knowledge dissemination and educational activities to enhance environmental awareness and mitigate or prevent environmental incidents. Tailored training sessions on environmental protection, safety, occupational health are conducted for new employees when they join the company. In the meantime, our subsidiaries also carry out regular training on basic knowledge of environmental protection, environmental laws and regulations, the Company's environmental policies, environmental facility management, and environmental emergency response.

Key Performance

Training Performance – Environmental protection training:

conducted	participation of employees	total training hours
 <b>184</b> sessions	<b>11,383</b> participants	<b>10,051</b> hours



Training on Environmental Knowledge and Hazardous Waste Management

The Company revised the *Hazardous Waste Management System* and the *Regulations on Hazardous Waste Warehouse Management*, and actively conducted special training on hazardous waste management based on such training of governing bodies. In 2023, through online teaching and engagement of external experts, we disseminated knowledge on environmental operations and hazardous waste management to ensure that personnel at various levels of the Company, business divisions, factories and workshops were familiar with operating procedures and emergency response measures related to environmental technology.



DMEGC and TÜV SÜD held the "Signing Ceremony of Strategic Cooperation on Carbon Neutrality and Zero-carbon Factories"

# Addressing Climate Change




Climate change presents a universal challenge for humanity. As an important participant in the new energy market, DMEGC actively responds to the national 3060 dual carbon goals by incorporating climate as a material topic into the management process of sustainable development. DMEGC thoroughly identifies, evaluates, and analyzes the risks and opportunities of climate change to enhance our ability and resilience in addressing it.

## Opportunities in Clean Technology

Adhering to the "green, smart and sustainable" development concept, the Company insists on the dual-wheel drive industrial layout of "Magnetic Materials + New Energy". We continuously increase investment in magnetic materials and new energy businesses to make the opportunity for clean technology an essential driving force for our sustainable development. In 2023, the Company has built the first fully automated "5G+" future factory in the magnetic materials industry in Hengdian, Zhejiang, which has revolutionized the layout of traditional magnetic materials factory by integrating automation and standardization across all processes, from raw material input to finished products. The products primarily target the fields of photovoltaic, energy storage, charging, and new energy vehicles.

In photovoltaic manufacturing, the Company has built a smart module manufacturing base in Lianyungang, Jiangsu. The high-efficiency and high-power modules produced by this base effectively realize higher power generation and lower LCOE at the system end. These modules meet the needs of large-scale power station projects and various "photovoltaic plus" scenario applications. Besides, the base has launched the "100% Green Power" campaign to build a green zero-carbon factory. In addition, the Company has established the first type-N TOPCon high-efficiency cell manufacturing bases in Yibin, Sichuan, equipped with advanced equipment, technology and professional management teams to ensure the competitiveness of product technology.


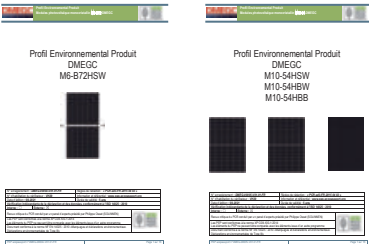
In the field of lithium batteries and electrochemical energy storage, the Company has established a technical research team and invested in the R&D of key innovative technologies. We have built a 6GWh future factory in Hengdian, Zhejiang, with products covering small, medium and large magnifications to comprehensively meet the needs of small-power applications such as two-wheelers, electric tools and small household appliances. Building upon the achievements in the small-power market, the Company is utilizing the existing photovoltaic distribution channels to drive the expansion into residential and commercial energy storage markets.

Key Performance			
By the end of 2023			
	Self-owned distributed PV station installment reached	The power generated for self-consumption reached	The grid-connected green power consumption reached
	52.13 MW	22,590.3 MWh	28,824.01 MWh
	Photovoltaic cells production capacity	Photovoltaic modules production capacity	Lithium battery production capacity
	14 GW	12 GW	7 GWh
In 2023			
	The photovoltaic product shipment volume was approximately	New energy battery shipments totaled approximately	
	10GW	340million units	
	with a year-on-year increase of	representing a year-on-year increase of	
	24.27%	75.36%	

## Product Lifecycle Management

DMEGC prioritizes the assessment of carbon emissions associated with the products and engages reputable third-party organizations to conduct thorough product carbon footprint assessments. The Company has performed lifecycle carbon footprint analyses and evaluations for a variety of module products across 4 manufacturing bases: Hengdian headquarters, Jiangsu DMEGC, Qixian DMEGC and Lianyungang DMEGC. Up to now, 51 of the Company's leading products have obtained certification from renowned carbon footprint programs such as the PEP ecopassport® and EPD Italy.



Low-carbon Products	Certification type	Certificate
DMEGC New Energy monocrystalline photovoltaic modules (whole series of P-type modules)	EPD Italy certification	<div></div> <div>Photovoltaic Module EPD Certificate</div>
DMEGC New energy monocrystalline photovoltaic modules, monocrystalline G-G photovoltaic modules (including M10 and B72cM6, N-type)	PEP Ecopassport®	<div></div> <div>Photovoltaic Module PEP Certification</div>

The Path to Carbon Neutrality

Carbon Emission Management

DMEGC places significant emphasis on carbon emission management and maintains strict control over greenhouse gas emissions. In 2023, the Company established a leading group of dual carbon goals. For activities related to the headquarters' operations, DMEGC has engaged an authoritative third-party agency to conduct ISO 14064 carbon footprint verification, assess the potential for energy saving and carbon reduction, establish a compilation project, and develop plans to achieve the goals of carbon peaking and carbon neutrality.

Indicator	Unit	2023	2022	2021
Total GHG emissions	tCO <sub>2</sub> e	845,075.78	755,416.72	627,615.24
Direct (Scope I) GHG emissions	tCO <sub>2</sub> e	70,981.59	78,437.81	85,154.31
Direct (Scope I) GHG emission intensity	tCO <sub>2</sub> e/RMB million revenue	3.60	4.03	6.76
Indirect (Scope II) GHG emissions	tCO <sub>2</sub> e	774,094.19	676,978.90	542,460.93
Indirect (Scope II) GHG emission intensity	tCO <sub>2</sub> e/RMB million revenue	39.25	34.79	43.03

Greenhouse Gas Emission Data

- \* Note:
- The Company's direct and indirect GHG emission data from 2021 to 2023 covers the Company's headquarters and overseas branches within the scope of this Report.
  - The Company's physical boundary expanded in 2023, with 4 new projects finished and put into production, resulted in a significant increase in energy consumption. The latest projects include: Lianyungang DMEGC's module production line project with an annual output of 5GW, Sichuan DMEGC's 6GW cell production line project of phase I of 12GW new high-efficiency cell smart manufacturing "future factory" project, DMEGC's headquarters high-performance lithium battery project with an annual output of 6GWh and phase I production line of the soft magnetic ferrite project with an annual output of 15,000 tons. Accordingly, the overall total GHG emissions have increased compared with previous years.
  - The aforementioned carbon emission data are calculated in accordance with the standards of the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions for China Electronic Equipment Manufacturing Enterprises (Trial)* compiled by the National Development and Reform Commission.
  - Based on the Company's main production address, the carbon emission factor of the annual average power supply of the regional power grid was calculated in a unified way using accounting factors of the Company's headquarters. Namely, the factor was calculated according to 0.7035 kgCO<sub>2</sub>/kWh as the emission factor of the East China regional power grid in *Average Carbon Dioxide Emission Factor of China's Regional Power Grid in 2011 and 2012* issued by the Department of Climate Change of the National Development and Reform Commission. The carbon dioxide emission factor of heat supply was temporarily calculated in terms of 0.11 tCO<sub>2</sub>/GJ. The emission factor of fossil fuel combustion consumed by electronic equipment manufacturing enterprises was calculated using parameters such as the carbon content per unit, the heat value of the fuel, and the carbon oxidation rate.

Carbon Target Setting and Planning

DMEGC actively conducts GHG emissions verification, sets carbon emission targets and reduces emissions based on emission status and productivity prediction. In 2023, the Company's headquarters has launched a diagnostic project to identify the energy-saving and carbon reduction potential across production, storage, transportation and packaging, thereby reducing carbon emissions in the operation process and building a solid foundation for setting carbon reduction goals.

The Company has set 2022 as the base year, striving to reach the peak carbon emission by 2030 and achieve carbon neutrality by 2050. In the future, the Company will take actions to save energy and reduce carbon emissions, increase energy efficiency, and tightly control energy consumption post-2030 through initiatives such as green power operations, CCER projects, renewable energy utilization, and energy storage projects. Additionally, efforts will be made to optimize production processes to maximize output while minimizing resource consumption. By increasing the proportion of value-added products, the Company aims to reduce carbon emissions while simultaneously accelerating output growth, thereby achieving the "decoupling" of economic growth from carbon emissions.

In 2023, the Company has completed and implemented 12 potential assessments and planning projects for energy saving and carbon reduction, resulting in a reduction of carbon emissions by 17,019.92 tons.

Business division	Carbon emission reduction in 2023 (tons)
Magnetic Material Division	6.84
Alloy Material Division	36.79
Plastic-Bonded Ferrite Magnet Division	237.79
Solar Division	15,825.83
New Energy Battery Division	912.48
Total amount	17,019.92

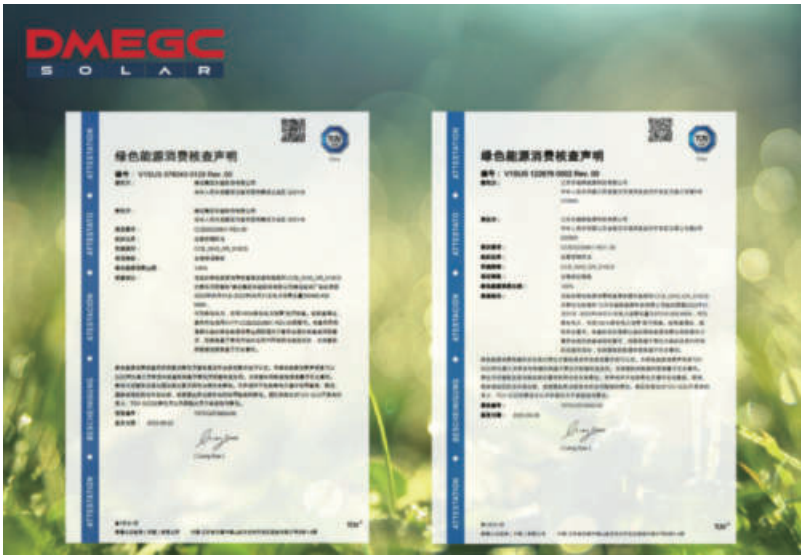
Green Power Use

DMEGC actively expands the coverage of green power. We promote PV installation in the factory and self-consumption of the clean power generated. So far, summing up each production base's distributed photovoltaic system, the total installed capacity has reached 52.13MW, and the power generated for self-consumption has reached 22.59 million kWh. Additionally, the Company procures and utilizes local green power resources, achieving 100% coverage of the green energy in the module factory through the purchase and integration of market-based green electricity and green certificates.



DMEGC headquarters and Jiangsu DMEGC production base were certified for green power consumption

DMEGC strives to achieve the carbon neutrality goal of Hengdian headquarters, Jiangsu DMEGC and other module manufacturing bases through power generation for self-consumption and green power certificate purchases. As of the end of 2023, the Company has purchased a total of 54,842 international renewable energy certificates, equivalent to a power generation capacity of 54,842MWh. The corresponding electrical asset types cover projects of wind power and PV. In September 2023, in accordance with the verification rules of green energy consumption, the international authoritative certification body TÜV SÜD issued the *Verification Statement on Green Energy Consumption* to Jiangsu DMEGC and DMEGC module factories, confirming that the factories have achieved 100% green power consumption.



Verification Statement for Green Energy Consumption of Jiangsu DMEGC and DMEGC Headquarters Module Factory



Green Manufacturing

In order to expedite the establishment of environmentally sustainable factories, the Company has undertaken various measures to reduce carbon emissions. These measures include establishing a digital intelligent management platform and a distributed power generation system in the factories, upgrading equipment with refined control measures, utilizing low-carbon raw materials, conducting green transformation of facilities in factory buildings, office buildings and industrial parks, and improving the recycling mechanism for waste disposal and resource recycling. Up to now, the Company has been awarded as the "National Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China and Jiangsu DMEGC has been recognized as a provincial "Green Factory". Furthermore, 6 types of cells and modules have been included in the list of "Green Design Products".

Green Logistics

DMEGC actively promotes green logistics by reducing carbon emissions through energy substitution and packaging optimization. Specific measures include but are not limited to:

- Gradually replacing diesel trucks used for short-distance product delivery with new energy vehicles to reduce carbon emissions during transportation;
- Prioritizing land transportation for products whenever possible to minimize air freight volume and the associated carbon emissions from air transportation;
- Giving preference to packaging materials that have obtained green product certification or exhibit low carbon footprints, and optimizing packaging design to minimize material consumption while enhancing packaging recycling rates.



Jiangsu DMEGC has been certified as a zero-carbon factory

In October 2023, Jiangsu DMEGC received the zero-carbon factory verification certificate issued by TÜV SÜD. TÜV SÜD conducted a comprehensive and systematic review of Jiangsu DMEGC based on the latest *Evaluation Specification of Zero-Carbon Factory*. The results showed that Jiangsu DMEGC has achieved a GHG offset ratio of 99% and the proportion of renewable energy power has reached 100%, which is qualified for the standard of Type I four-star zero-carbon factory.



Jiangsu DMEGC Zero-Carbon Factory Verification Certificate



# Resource Utilization

## Energy Management

In accordance with the ISO 50001 Energy Management Systems and requirements of laws and regulations, the Company has formulated management documents such as energy management handbooks. We also actively promote clean production, and apply new energy-saving technologies, new processes, and new materials to reduce energy consumption from the source and improve energy utilization efficiency. In 2023, the Company systematically advanced energy-saving upgrade projects, continuously optimizing energy-intensive processes to reduce energy intensity. Key production energy consumption indicators have been integrated into the monthly performance assessments of responsible personnel to ensure effective management and control of energy consumption targets. In addition, we have established a smart power use management platform to quickly respond to the demand of peak and off-peak pricing mechanism so that above 50% of off-peak power can be utilized. We also empowered the energy management system with information technology. At present, the Company has been certified by the ISO 50001 energy management system.

### Solar Division | Smart Renovation of Peripheral Air-conditioning System

- Through the energy-saving control system, the existing decentralized control system has been integrated to achieve intelligent management of peripheral air-conditioning systems, strengthen the energy safety of energy stations and achieve the effect of energy saving and consumption reduction.
- This renovation has helped yield a comprehensive annual energy saving rate of 12.5% for the system, resulting in a reduction in electricity consumption of about 5,087,500 kWh per year.

### Solar Division | Renovation of Air Compressor Waste Heat Recovery

- Recovering excessive heat from the air compressor to heat the pure water in the process of alkaline texturing to minimize energy waste and consumption.
- This renovation has significantly reduced pure water heating costs and energy consumption, saving electricity consumption for 10,349,500 kWh per year.

### Magnet Material Division | Energy-saving Renovation of Double Layer Electric Kiln

- Expanding the effective width of the dual-layer electric kiln chamber to increase production; utilizing the residual heat from the high-temperature zone of the kiln to dry the products, thereby reducing preheating-related cracking issues; incorporating energy-saving insulation materials to decrease kiln energy consumption.
- After this renovation, the kiln output has increased by 50% and the energy consumption has decreased by more than 20%.

### Magnet Material Division | Energy-saving Renovation of Roller Hearth Kiln

- The 45m roller kiln of the magnet material division has been replaced to 47m double-layer electric kiln.
- After the renovation, the daily production capacity has been increased to 10T, with the energy consumption reduced by 26.63%

### Soft Magnet Division | Energy-saving Transformation of the Double-push Kiln

- A four-pusher 50-meter kiln has been developed to replace a two-pusher 41-meter kiln, and the production recipe and sintering process have been adjusted to improve the sintering atmosphere of the kiln.
- This renovation has significantly reduced energy consumption by approximately 2.25 million kWh, thus increasing production efficiency for more than 40%.

Part of DMEGC's Energy Management Measures in 2023

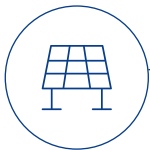


Indicator	Unit	2023	2022	2021
Total energy consumption	tce (ton of standard coalequivalent)	192,677.35	167,541.56	150,181.06
Total energy consumption per RMB million revenue	tce/RMB million revenue	9.77	8.61	11.91
Direct energy consumption:				
Natural gas	10,000 m³	3,247.79	3,597.1	-
Indirect energy consumption:				
Purchased steam	tons	122,665.13	71,703	-
Purchased electricity	MWh	1,130,719.55	960,498.75	771,464.60
Renewable energy consumption:				
Purchased renewable electricity	MWh	30,217.188	0	-
Self-generated and consumed renewable electricity	MWh	22,590.25	2,228.23	-

Energy Consumption of DMEGC

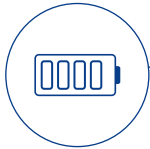
Water Resources Management

The Company places great importance on water conservation and management, and strictly adheres to relevant laws and regulations such as the *Water Law of the People's Republic of China* and the *Water Pollution Prevention and Control Law of the People's Republic of China*. We diligently promote lean management of water resources through comprehensive water conservation planning. By integrating advanced equipment and innovating production processes, we actively reduce the volume of water utilized in production at its source. Simultaneously, we adjust the structure and improve the methods of water usage while guaranteeing the product quality, thereby further strengthening the water conservation. Besides, the Company actively adopts the measures such as the reuse of pure and concentrated water, as well as the recycling of wastewater. Through the comprehensive utilization and recycling of water resources, we effectively reduce the Company's water costs while fostering the concurrent growth of economic and environmental benefits.



Solar Division

- **Recycled water utilization:** It has been projected that about 50,000 tons of water resources per year can be saved by implementing technology upgrades such as MVR cycle water reuse, switching from tap water to wastewater for mixing with calcium hydroxide.
- **Pure water and wastewater recycling:** Increasing the production rate of pure water from the previous 70% to 80% can result in saving approximately 228,000 tons of tap water consumption annually; reusing high-hardness concentrated water for air conditioning cooling towers can lead to a reduction for about 250,000 tons of tap water consumption per year; connecting the backwash wastewater to the condensate tank for recycling into the cooling tower can save around 20 tons of tap water daily.
- **Transformation of liquid oxygen vaporizer:** Adding a vaporizer each to factory TP6 and TP7 and switching between the two vaporizers, alleviating the oxygen supply pressure in the workshop.



Lithium Battery Division

- **Transformation of distilled water recovery system:** By installing a submersible pump and a level control system within the existing condensate tank, the collected condensate water is pumped back to the cooling tower for recycling, resulting in saving approximately 2,000 tons of makeup water for the cooling tower annually.
- **Installation of PP plate for steam condensate:** By incorporating a polypropylene plate collecting tank into the steam condensate recovery system and putting it into operation, a daily water saving of 90 tons can be achieved.
- **Adjustment of water tank temperature:** By adjusting the water tank temperature of the steam condensate recovery system from 45 degrees to 65 degrees, the daily reduction in freshwater usage is approximately 200 tons.
- **Recycling of pure water and wastewater:** Transferring concentrated water from the pure water station to the concentrated water tank, and supplying it to the steam condensate tank for cooling through a water pump, results in a daily saving of approximately 20 tons of freshwater. Over the reporting period, the cost savings have reached around 21816 million RMB.



Magnetic Material Division

- **Water resources recycling :** Utilizing cooling water from the preheating workshop for ball mill feeding; connecting the waste tank with the sedimentation tank in the grinding workshop to prevent waste of resource caused by the direct discharge of water from the overturned sedimentation tank into the wastewater tank; enlarging the automatic water replenishment pipeline of the circulation pool and lowering the water level to prevent overflow while ensuring water usage. Following various improvements, approximately 87,929 tons of recycled water have been reused in 2023, resulting in a savings of 140,700 RMB in wastewater treatment costs.
- **Wastewater recycling:** The addition of 12 high-capacity barrels facilitates the collection of grinding water in a small-scale sedimentation tank within the workshop, pumping it into interconnected barrels for multistage sedimentation, significantly enhancing the utilization efficiency of recycled water. In 2023, the Company's wastewater discharge has reduced by 42,256 tons, resulting in notable environmental and economic benefits.

Indicator	Unit	2023	2022	2021
Total water consumption	10,000 tons	555.46	422.07	369.40
Water consumption intensity	10,000 tons/RMB million revenue	0.028	0.021	0.029

Utilization of DMEGC Water Resources

The Company actively practices water security management by installing water and drainage monitoring systems, conducting regular real-time monitoring and recording of water intake, and setting up a water quality monitoring team to strictly control the quality of water intake and discharge meeting the requirements of the corresponding standards. For the wastewater generated by the Company, as a general approach, we pretreat it at the production base to meet corresponding discharge standards, and then send the pretreated wastewater to the municipal wastewater treatment plant to further meet the treatment and discharge standards directly to the environment. We will continue to improve our water recycling processes and efficiency, ensuring that the Company can maintain total wastewater discharge levels constant even as we increase the production capacity.

The Company's primary operations are in regions blessed with abundant water resources. According to the assessment conducted using the World Resources Institute (WRI) Aqueduct Water Risk Atlas, all of our water sources are situated in areas without water scarcity. Additionally, we assess our suppliers' dependency on and impact on water resources, and require them to comply with relevant water-related regulations to minimize potential water security risks within our supply chain.

Furthermore, DMEGC received a "B" rating at the management level for water security in the 2023 corporate water security questionnaire released by the Global Environmental Information Center (Carbon Disclosure Project, CDP). This rating is the highest achieved by a domestic photovoltaic manufacturing company in this category.

## Resource Recycling

The Company is actively engaged in the practice of green, low-carbon and high-quality principles, committed to reducing the environmental and health impacts of packaging waste to the greatest extent possible. Through initiatives such as automation reform of packaging materials and cooperation with suppliers, we strive to fully recycle and reuse packaging materials. Currently, DMEGC Solar Division has implemented recycling processes for glass iron pallets, cardboard pallets, select frame factory pallets, empty welding wire spools, and laminate/backsheet packaging. In the future, the Company will enhance the recycling rates of packaging materials, further reducing resource consumption during production and achieving the reduction and circularity of packaging materials.

Indicator	Unit	2023	2022	2021
Total packaging material consumption	RMB 10,000	21,361.64	13,044.98	9,765.43
Packaging material consumption intensity	RMB 10,000/RMB million Revenue	1.08	0.67	0.77
Packaging material recovery rate	%	7.28	8.32	0

\* Note: The Company achieved 100% recycling of packaging materials used for certain types of solar cells.

Usage of DMEGC Packaging Materials





## DMEGC Automatic Rework Project of Packaging Materials for Solar Cells

The Company is dedicated to improving the recycling and reuse process of packaging materials. We have developed the industry's first automated rework equipment for packaging materials, addressing the high labor intensity and low production capacity issues in the solar cell packaging processes, such as heating and label removal, and achieving a more labor-efficient workflow. This automation initiative has significantly increased production capacity while reducing the costs associated with recycling packaging materials. In 2023, the efficiency of packaging material recycling improved from 50% to 55%, and the daily average number of recycled packaging sets increased to 1,600, resulting in a daily cost savings of approximately RMB 36,000.



Automatic Film Winding Machine Replacing Manual Winding

# Waste Management

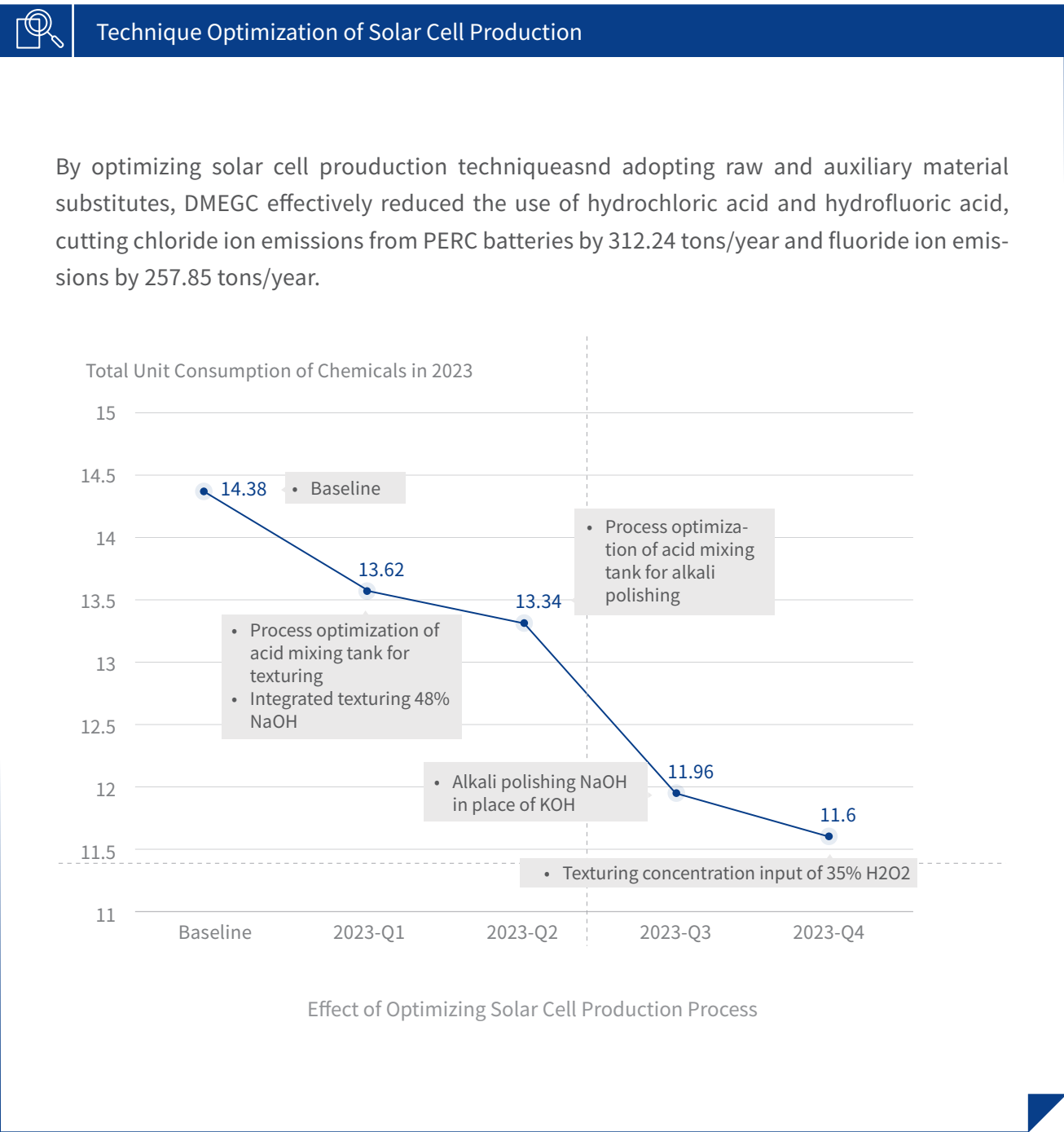
We formulate self-monitoring plans on waste gas and wastewater in accordance with the requirements of the pollution discharge permit. We also make full use of our testing capacities to monitor pollutants from time to time. Each year, a qualified third party is entrusted to monitor pollutant discharge of factories to maintain high environmental standards throughout our operations. All results related to the Company's environmental monitoring in 2023 are in compliance with national requirements.

## Wastewater Management

In 2023, the Company revised the *Waste Gas and Wastewater Discharge Management System* and put forward more stringent requirements for the operation of wastewater treatment facilities and wastewater pollution control of each subsidiary. Each business division and directly affiliated factory is responsible for operating and maintaining measurement facilities for wastewater discharge daily, as well as ensuring that wastewater discharged after treatment meets corresponding standards. The Enterprise Management Department is responsible for regularly inspecting the environmental protection facilities at all divisions, and supervising the rectification of safety and environmental hazards.

At present, the wastewater from DMEGC is primarily from the production of magnetic materials and batteries. The wastewater from magnetic materials production is treated using various treatment processes such as oil removal, multi-stage precipitation, coagulation and air flotation in a separate or combined manner, which has resulted in a partial recycling of the treated wastewater back into production through water circulation system. The wastewater from battery production is treated by applying techniques such as chemical precipitation-biochemical treatment, acid-base neutralization, and multi-stage physical precipitation combined with flocculation precipitation.

In 2023, we conducted an in-depth investigation of "zero direct wastewater discharge" and rectified hidden risks by continuously upgrading the rainwater and wastewater pipe network. We have also invested in the construction of wastewater treatment systems to further reduce the discharge of wastewater pollutants.



Construction of Jinchuan Electronics Wastewater Treatment System

Jinchuan Electronics, a DMEGC subsidiary, actively promotes the recycling of wastewater. Based on its production characteristics, it utilizes integrated wastewater treatment facilities to reuse reclaimed water and uses the water for production processes such as product grinding and equipment cooling. In 2023, DMEGC invested RMB 1.475 million to complete the upgrade of Jinchuan Electronics wastewater treatment system, which is primarily utilized for treating both production and domestic wastewater before discharge. With a designed treatment capacity of 800 tons/day, which is more than equivalent to Jinchuan Electronics’ estimated wastewater discharge of around 600 tons/day, the system saves approximately 30% of tap water consumption, amounting to the annual saving of 70,000 tons of water. This is a strong testament for Jinchuan Electronics’ contribution in promoting a comprehensive recycling of production wastewater, and achieving zero discharge within the facility's processing capacity.

Upgrade Project of the Wastewater Treatment System of DMEGC's Subsidiary

Indicator	Unit	2023	2022	2021
Wastewater	10,000 tons	360.87	292.08	/
Wastewater discharge intensity	tons/RMB million revenue	0.018	0.015	/
Main water pollutants				
Chemical Oxygen Demand (COD)	tons	156.27	124.93	111.31
Ammonia nitrogen	tons	15.39	13.27	7.46

\* Note: The primary reason for the increase in total wastewater is attributed to the Company's new projects which were put into operation in 2023 (mainly the Sichuan DMEGC project). This resulted in a significant increase in wastewater.



Waste Gas Management

The Company strictly implements "3 Simultaneous" environmental protection management system for construction projects, and facilitates the upgrading of pollution source treatment facilities, to ensure that our emission of waste gas is both stable and compliant. In the process of waste gas management, DMEGC prioritizes the rectification and improvement on organic waste gas treatment processes within the Soft Magnet Division and ensures the emission target is 100% compliant.

Currently, the industrial waste gas generated by DMEGC primarily includes dust, furnace fuel exhaust, organic exhaust generated in the production process of magnetic materials, as well as organic exhaust and acid and alkali exhaust generated during the battery manufacturing process. We employ various treatment processes such as baghouses filtration, water films with wet electrostatic precipitators, condensers with sprayed oxidizers, spray absorption, combustion and condensation, activated carbon adsorption to ensure that the pollutants in the waste gas meet corresponding emission standards.

Strictly carrying out the requirement stated in the "3 Simultaneous" management system, DMEGC in 2023 has carried out the construction of environmental protection facilities for new projects while facilitating the upgrade of waste gas treatment facilities for existing pollution sources to further reduce pollutant emissions.



### Upgrading of Waste Gas Treatment Facilities for Magnetic Materials

The Company focuses on the waste gas treatment in the magnetic materials divisions by progressively implementing the upgrade and technical improvement project for waste gas treatment facilities. In 2023, the Company continued to advance the management and enhancement of dust and exhaust emissions from magnetic material operations. The magnetic material factory and Jinchuan Electronics added new wet electrostatic precipitator equipment, significantly improving the factory's capacity to process dust and exhaust, and achieving the ultra-low emission standard of  $\leq 30\text{mg}/\text{m}^3$ .



The upgrade project of the existing pollution control facilities of the permanent magnetic ferrite pre-sintered material production lines has been completed



The new construction project of waste gas treatment facilities in Lianyungang DMEGC is has been completed

Indicator	Unit	2023	2022	2021
Total waste gas emissions	tons	67.75	78.69	72.51
Waste gas emission intensity	tons/RMB million revenue	0.0034	0.0040	0.0057
Nitrogen oxides	tons	61.70	73.30	67.78
Sulfur dioxide	tons	6.05	5.39	4.73

\*Note: The total amount of waste gas emissions refers to the total amount of gas pollutant emissions controlled by the country.

Non-hazardous and Hazardous Waste Management

Attaching importance to managing general solid waste and hazardous waste, we have clarified responsibilities of relevant departments and strictly regulated the management, pollution prevention and treatment of various types of waste based on the revision of the *Measures for Hazardous Waste Management*. General solid waste is categorized and processed accordingly, with efforts focused on reducing waste through packaging design and material improvements. For hazardous waste, the Company adopts regulatory measures such as account registration and filing management, and implements classified collection, unified storage and disposal of hazardous waste. Qualified third-party institutions are entrusted regularly to utilize or dispose of the waste in a standard manner.



Calcium Fluoride Crystallization and Concentration Technical Transformation Project of Solar Division

DMEGC has actively promoted new processes for utilizing solid waste resources, and built the first set of nationwide recovery process equipment of calcium fluoride fluidized bed, which use calcium fluoride sludge to produce calcium fluoride crystals with a crystal product purity of more than 90%. These crystals serve as raw materials for the PV industry, and help facilitating a closed-loop utilization of industrial resources. This process method greatly reduces the generation and treatment costs of solid waste, with an expected reduction of 600 tons of sludge and solid waste, generating an annual economic benefit of RMB 2 million. Meanwhile, it contributes to a reduction in the overall operating cost of wastewater treatment for PV product output by approximately 7%.



Calcium Fluoride Crystallization and Concentration Technical Transformation Project



Ammonium Sulfate MVR Renovation Project of Solar Division

Previously, 30% of ammonium sulfate solutions generated by the Solar Division are entrusted to external parties for treatment. With Mechanical Vapor Recompression (MVR) technology, the Company can now produce ammonium sulfate for external sale as a by-product, which greatly reduces solid waste treatment fees and increases income.

In 2023, the MVR project sold a total of 638.83 tons of ammonium sulfate, generating sales revenue of RMB 412,500. Compared to the external treatment cost in 2022, this resulted in a total economic benefit of RMB 2.1325 million.



Ammonium Sulfate MVR Renovation Project

Indicator	Unit	2023	2022	2021
Total general and hazardous waste	tons	37,033.24	35,132.61	23,063.59
Waste intensity	tons/RMB million revenue	1.88	1.80	1.82
General waste	tons	36,619.49	34,773.85	22,739.89
Hazardous waste	tons	413.75	358.76	323.70
Comprehensive utilization rate of general waste	%	82.39	73.23	69.67
Hazardous waste disposal rate	%	100	100	100

DMEGC Waste Discharge



# 04

DMEGC

## Sustainable Supply Chain Management



A sustainable supply chain constitutes a pivotal element in company value creation of the Company. We are committed to collaborating with suppliers based on responsible behavior standards. Additionally, we actively promote higher standards among suppliers in areas such as product safety and quality, labor rights, safety and environmental protection, and business ethics. This collaborative effort aims to build a responsible supply chain and enhance the sustainability capacity of the entire value chain. Furthermore, we persist in fostering green and innovative empowerment partnerships with upstream and downstream industry partners to collectively generate diversified added value in the value chain.

+ The UNSDGs responded to in this chapter



+ Material topics addressed in this chapter

- Sustainable Supply Chain Management
- Business Ethics and Anti-corruption
- Information Security and Privacy
- Technology R&D and Innovation

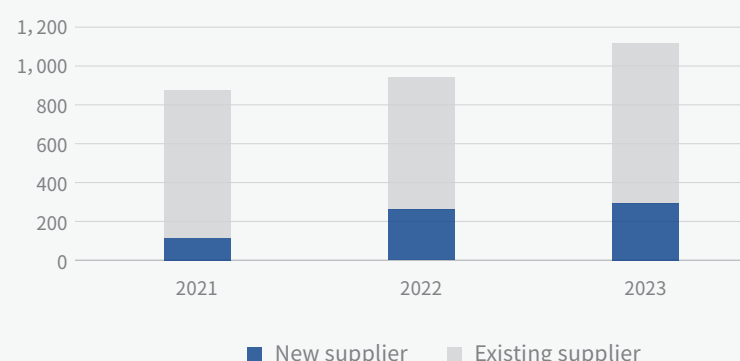


# Supplier Profile

As a leader in Chinese magnetic ferrite industry and a rising star in the sectors of new energy photovoltaic and lithium batteries, the Company is committed to providing customers with highly reliable and high-quality products and services in the process of globalizing the two major business segments. At present, the Company has built manufacturing bases in China, Vietnam, India and other regions in Southeast Asia. On this basis, we continue to develop and consolidate the global supply chain, track the dynamics in domestic and international markets to strengthen the multi-dimensional supply chain resilience, and improve the quality and stability of our products and services.

## Key Performance in 2023

### ▼ New Supplier Development Helps Improve the Supply Chain Resilience - Number of suppliers in the past three years



Total number of suppliers in 2023

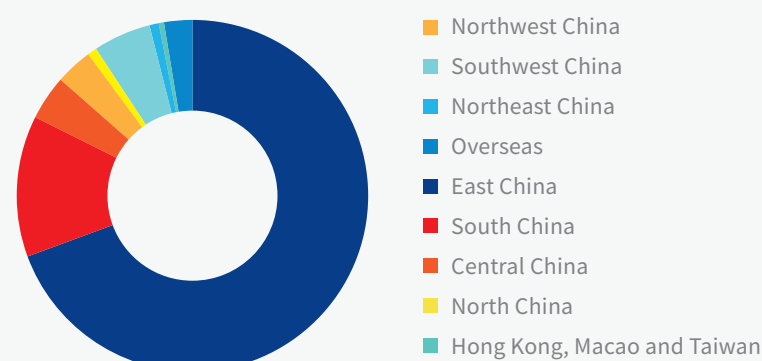
**1,125**

Number of new suppliers in 2023

**301**

\*Total number of suppliers: Statistics of major suppliers with a purchase of more than RMB 100 thousand in 2023 (excluding equipment)

### ▼ Diversification of Suppliers in Various Regions - Regional distribution of suppliers in 2023



Hong Kong, Macao, Taiwan and overseas suppliers in 2023

**33**

approximately

**18%**

increase from 2022

# Supply Chain Management

The Company adopts a matrix structure for supply chain management, with the Supply & Purchasing Department collaborating closely with each business division. Through the establishment and enhancement of various procurement management systems, the Company steadily advances the integration of systems such as SRM (Supplier Relationship Management) and WMS (Warehouse Management System). This effort improves standardized processes and analyses in supply chain collaboration, covering areas such as demand management, strategic sourcing, procurement execution and supplier lifecycle management. Consequently, the Company receives high-quality materials at low costs and benefits from timely services. Additionally, the Company continuously monitors and predicts price fluctuations and supply-demand dynamics of main raw materials and auxiliary resources required for production and operations. We promptly implement strategic reserves or destocking measures to ensure supply stability and cost-effectiveness.

The Company continues to promote standardization in daily procurement, enhancing supplier performance by reducing intermediaries, implementing exclusive procurement, optimizing payment methods and assisting suppliers in quality management. Through the construction and optimization of the bidding platform, we adopted different procurement strategies to ensure the suitable quality and price of materials, as well as the advanced, reliable and low-cost advantages of equipment.

## Supplier Access Mechanism

We have formulated more than 10 policies, including the *Procurement and Material Management Policy*, the *Supplier Management Policy*, the *Three-link Management Policy of Procurement* and the *Bidding Management Rules*, to regulate supplier access mechanisms, promote standardization and optimize bidding management. In 2023, we further improved the front-end system of the supply chain in the *Three-link Management Policy of Procurement*, strengthening the analytical capability concerning prices and supply-demand dynamics. We standardized supplier identification and basic supplier management in the *Supplier Management Policy*. Meanwhile, we incorporate ESG topics and stipulate that admitted suppliers should comply with national laws and development requirements related to human rights, energy, environmental protection and intellectual property rights.



Grounded on principles of "respect, safety, and environmental protection", we have formulated the *Supplier Code of Conduct* with reference to multiple international standards. We require major suppliers to comply with the human rights, environmental and business ethics standards in the Code. Additionally, mechanisms for supervision, auditing, improvement, reporting, and accountability have been established to implement matters in the Code.

Reference Standards for the *Supplier Code of Conduct*

- United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- International Labor Organization (ILO) International Labor Standards
- The ILO Convention on Occupational Safety and Health
- ISO 14000 Environmental Management Systems
- ISO 26000 Guidance on Social Responsibility

Matters stipulated in the *Supplier Code of Conduct*

Respect for human rights

- Anti-forced labor
- Guarantee of freedom of action
- Child labor and underage labor
- Remuneration and benefits
- Working hours
- Non-discrimination, equality and inclusiveness
- Freedom of association and collective bargaining
- Health and safety

Environmental responsibility

- Environmental permit
- Natural resources
- Energy efficiency
- Management and disposal of hazardous substances

Business ethics

- Anti-bribery and anti-corruption
- Conflict of interest
- Competition
- Respect and protect intellectual property and data rights
- Supply chain transparency and responsible sourcing
- Whistleblowing

Key Performance in 2023

Screening performance of new suppliers on social and environmental standards in 2023

New suppliers screened by social standards in divisions of Solar, Lithium Battery PACK, Soft Magnet and others

100%

New suppliers screened by environmental standards in divisions of Solar, Lithium Battery PACK, Soft Magnet and others

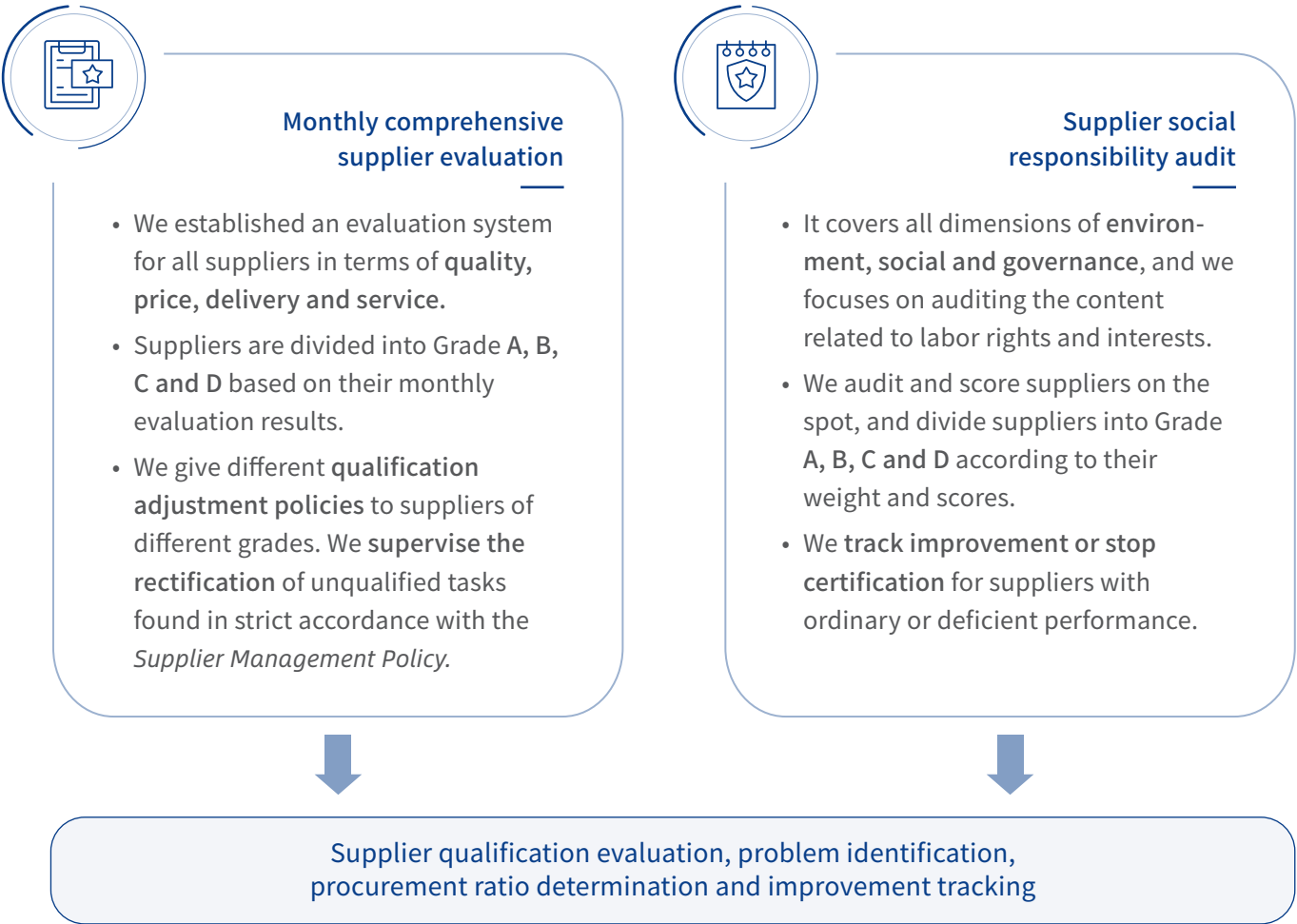
100%

During the admission process, we mandate major suppliers to sign the *Supplier Code of Conduct*, encouraging them to integrate it into their operational guidelines concerning human rights, safety, and environmental practices. The adherence of suppliers to this Code within our cooperation has also become a pivotal criterion in our selection and evaluation processes for suppliers. Besides, we also require suppliers to sign a *Supplier Quality Assurance Agreement* to ensure that their product quality aligns with corresponding standards.

As information security of the supply chain is essential to safeguarding the interests of both the Company and its partners and enhancing business continuity, we have signed non-disclosure agreements (NDA) with all suppliers to meet the requirements of confidentiality and business rules. We have also established a mechanism for strictly managing confidential information involved by suppliers, such as the Company's products, specifications, and production plans. We strictly control data access by installing a data leakage prevention system and other protection measures on terminal computers and equipment with confidential information.

Supplier Evaluation and Audit

To understand the actual conditions and potential risks of suppliers, the Company conducts data evaluation and on-site assessment on suppliers focusing on the dimensions of quality and service, environment, labor rights and health, business ethics, and labor management system by combining supplier credit investigation, new supplier onboarding audits, monthly performance evaluation, periodic unscheduled audits and social responsibility audits. The audit results provide data-based insights for supplier classification, problem identification and improvement assistance.



DMEGC Supplier Evaluation and Audit Framework

Grade	Score (points)	Results
A	91-100	Excellent suppliers can be rewarded with increased procurement allocations, timely payments and priority consideration during eligibility adjustments
B	76-90	Suppliers meeting the minimum requirements received no priority consideration when adjusting eligibility
C	60-75	Suppliers who receive rectification notices may face limitation or suspension of supply, and possible payment delay
D	60 or less	Suppliers are required to rectify within a specified timeframe, facing limitation or suspension of supply, and possible payment delay. Supplier rated as Grade D for 3 consecutive times will be eliminated and blacklisted

DMEGC Supplier Evaluation Standards

The Company conducts annual social responsibility audits on suppliers for divisions such as Solar Division, New Energy Battery Division, and Soft Magnetic Division to evaluate their social responsibility and track their improvement in deficient areas. The audits cover aspects of environment, labor rights protection, occupational health and safety, business ethics and labor ethics management system.





# Responsible Procurement

## Transparent Procurement

Key Performance in 2023

Training Performance - Procurement staff training

conducted

9 sessions

participation of employees

156 participants

total training hours

299 hours

The Company upholds the procurement value of "honest, collaborative and mutually beneficial, proactive and efficient", committing to establishing and maintaining a transparent and ethical supply chain. We promote compliance building within our procurement teams and seek to collaborate with suppliers sharing the same values to ensure alignment between their business practices and our social responsibilities.

Suppliers joining our supply chain are required to sign the Company's *Supplier Code of Conduct*, committing to comply with regulations of anti-bribery and anti-corruption, conflict of interest, competition and anti-monopoly. Besides, suppliers must sign the *Supplier Integrity Commitment* to clarify breach of contract responsibilities, ensuring trading integrity in the procurement.

Regarding procurement team management, the Company has established the *Measures for Gift and Gratuity Handover Management* and the *Basic Code of Conduct for Procurement Officers* to govern the management of the procurement team, defining the behaviors of "Ten Permits and Ten Prohibitions" for procurement officers. We have also standardized measures against anti-monopoly and anti-unfair competition to build a good foundation for a culture of integrity. In 2023, the Company further enhanced transparency and efficiency in procurement activities by adding avoidance principle into sunshine procurement in the *Bidding Management Rules*. Meanwhile, equipment and material bidding are integrated to reduce conflict of interest and improper acts, so as to promote the transparency and efficiency of procurement activities.

To strengthen the capacity and integrity of the procurement team, the Company has established a monthly meeting mechanism for supply section leaders to analyze team-related problems and track their improvement. We invite Hengdian Group's Commission of Legal and Discipline Inspection to provide anti-corruption education. From time to time, we conduct online and offline training on procurement literacy, laws and regulations, and the use of SRM digital systems for procurement staff. For incidents of procurement violations, once confirmed, the Company conducts investigations and refers them to the appropriate authorities for legal action. In 2023, the Company investigated and took serious action against 2 suppliers who violated the integrity procurement act.

## Protection of Human Rights

The Company takes responsibility for respecting and protecting labor rights throughout its supply chain. We have implemented regulations and measures to ensure that employees of our suppliers work in safe, fair, and humane workplaces.

As mentioned in the supplier access section, with reference to frameworks such as the UNGC and the International Labor Organization's labor standards, we list "respect for human rights" as a zero-tolerance matter in the *Supplier Code of Conduct*. The Code stipulates detailed provisions and explanations regarding the prohibition of forced labor and compulsory labor, guaranteeing employees' freedom of action, eliminating child labor and underage labor, compensation and benefits, working hours, non-discrimination, equality and inclusion, freedom of association and collective bargaining, health and safety. Cooperation with any supplier violating relevant rules would be terminated immediately unless rectification measures are taken under the Company's supervision and passes the inspections.

During supplier social responsibility audits, we prioritize reviews on labor rights, occupational health and safety, and management systems to assess their labor ethics. If a supplier is found to be employing child labor during the audit, we classify it as a core violation and take appropriate actions in accordance with the *Supplier Management Policy*.

Conflict Minerals

Committed to eliminating the use of conflict minerals in the supply chain, the Company avoids inadvertent acquisition of raw materials that may come from conflict areas. In this way, the Company ensures its products do not directly or indirectly support any activities that violate human rights or harm health and the environment.

In the *Supplier Code of Conduct* as a supplier access threshold, we clearly require all suppliers not to use or sell "conflict minerals" and to truthfully and accurately disclose the manufacturing, production and marketing information throughout their supply chain. The suppliers should provide their measures and results of due diligence according to the Company's requirements. In addition, the suppliers should promote the concept of responsible procurement in their own supply chains and encourage their upstream suppliers to take corresponding social, environmental and business ethics responsibilities. For the business divisions that may face conflict mineral risks, we would enter into separate commitments and declarations with suppliers regarding conflict-free minerals.

Based on this, the Company promises to establish a set of regulations on conflict minerals, including policy, management and due diligence framework, which are referred to and consistent with the laws and standard guidelines. These regulations are applicable to suppliers as well.

Hazardous Substance Use Management

The Company promptly requires the suppliers to sign the *Guarantee of Non-use of Hazardous Substances* to ensure that the parts, components, materials and finished products they provide are in accordance with our requirements on content standards and related labels. The requirements are stipulated in restricted RoHS substances, the EU RoHS Directive (latest regulations), REACH Regulations (latest released substances) and halogen-free standards (applicable to materials meeting halogen-free requirements). By doing so, the environmental affinity of our own products and upstream value chains is enhanced.

Empowering Suppliers

The Company is dedicated to fostering innovation and places significant emphasis on addressing climate change while actively promoting sustainable practices throughout its value chain. Through a range of innovative initiatives and social responsibility endeavors, we consistently support the sustainability of our supply chain and driving industry development in collaboration with our partners towards a greener future.

Empowering Sustainable Supply Chain

Building Responsible Supply Chain

Key Performance in 2023

We conducted social responsibility training on topics such as anti-forced labor, carbon neutrality and common prosperity for

68 suppliers

The Company recognizes the importance of promoting social responsibility in the supply chain for the sustainable development of society and the industry. In long-term cooperation with suppliers, we improve their social responsibility and risk control capabilities by organizing supplier training and promoting certification. The training covers dimensions such as laws and regulations, respect for human rights, environmental responsibility, anti-commercial bribery, and responsible operations. Through a collaborative approach, DMEGC provides assistance, guidance and consulting on these dimensions to some suppliers.

In 2023, the Company's Solar Division took the lead in promoting suppliers to pursue SA 8000 certification. Starting in 2024, this initiative will be mandatory for key suppliers, with plans to make SA 8000 certification a prerequisite for all suppliers by 2025.





DMEGC Supplier Social Responsibility Training



### Supplier Quality Improvement Assistance

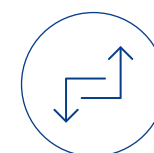
In July 2023, a batch of backsheet from one of the Company's suppliers was found to have red marks, resulting in a material defect ratio of 1.12%. The R&D, quality and SQE personnel from DMEGC promptly visited the supplier's production site, conducted inspections and discussions with the supplier's R&D and quality team, and identified the optimal solution. After the successful improvement, the defective rate dropped to 0.25% within one week and remained at 0% in the following 2 months.



DMEGC Team Conducting Investigations and Discussions with Suppliers

## Contributing to Green Supply Chain

While producing high-quality products, the Company actively improves the efficiency of collaboration and the utilization of supply chain resources both upstream and downstream. DMEGC continues to cooperate and promote technological innovation to set an example for advocating the sustainable development of the industry. In the future, we will also accelerate low-carbon development, striving to become the leader in the green development of the industry.



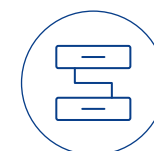
### Supporting green circular practices of the supply chain

During the reporting period, the Company has reduced the transportation costs of packaging and carbon emissions along the value chain by promoting suppliers to build factories nearby and collaborate to recycle packaging materials.



### Addressing the R&D gap in PV packaging recycling equipment

In 2023, the Company has continuously upgraded the self-designed "automatic rework assembly line of packaging materials" for PV cells, and fulfilled the gap of this type of automation equipment in the photovoltaic industry. Through technological R&D of the equipment, we have improved the carbon reduction efficiency, and also reduced the labor intensity and work-related injury risk of manual operation to ensure the occupational safety of employees. In 2023, the equipment has helped reduce carbon emission by about 819 tons.



### Empowering the closed-loop industrial chain through collaborative innovation

The Company uses calcium fluoride, which is one of the major solid waste from the production, to make fluorite balls used by steel mills to reduce the melting point. DMEGC has cooperated with industrial pollution control enterprises to innovate and develop the first fluidized bed crystallization device for calcium fluoride in China. The device has been able to produce calcium fluoride crystals with a purity of more than 90 % as a raw material for preparing hydrogen fluoride after technical iterations. The technology can help realize the closed loop of the industrial chain and support the green industrial upgrading.

DMEGC's Practices of Empowering Green Supply Chain



# 05

## Quality Innovation and Long-Term Service



DMEGC is committed to enhancing its product competitiveness and driving industrial advancement through technological innovation, stringent intellectual property protection, and the promotion of smart manufacturing. In 2023, the Company was recognized as a national technological innovation model enterprise, manifesting the company's firm determination and outstanding strength in innovation and sustainable development.

+ The UNSDGs responded to in this chapter



+ Material topics addressed in this chapter

- Technology R&D and Innovation
- Intellectual Property Protection
- Product Quality Management
- Digital Transformation
- Customer Service
- Information Security and Privacy



# Product Innovation

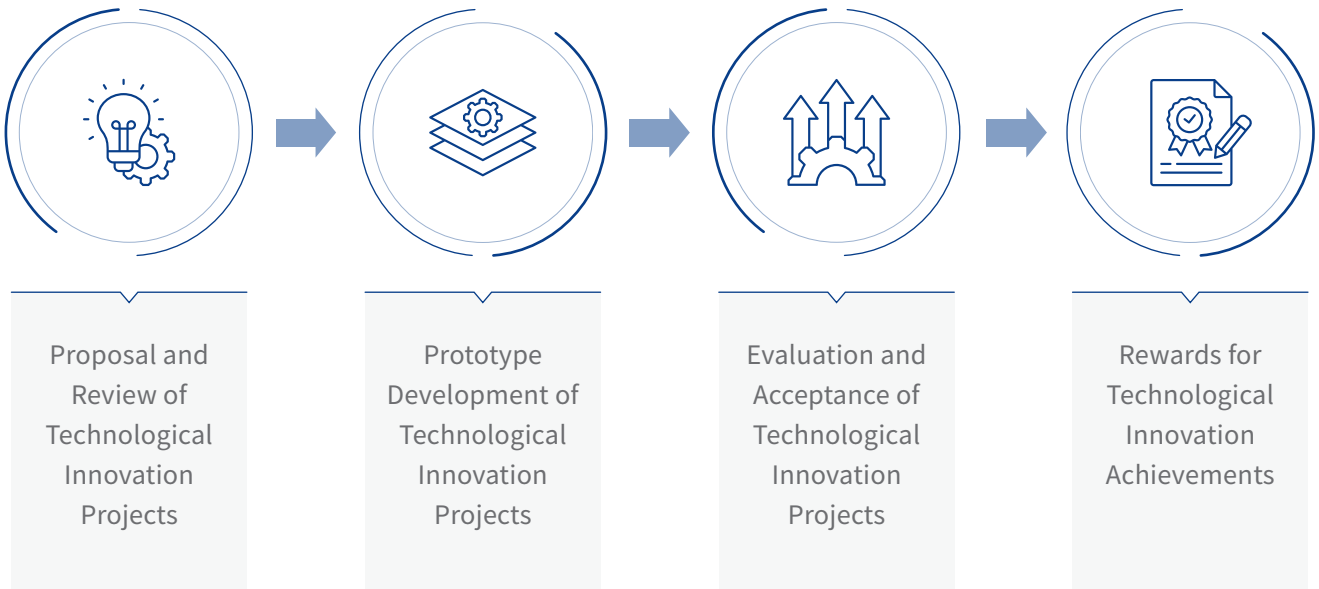
Standing firmly at the vanguard of global technology, the Company propels development through innovation. In 2023, DMEGC intensified its investments in R&D, achieving significant technological breakthroughs in various industry sectors. Our numerous products have passed both international and domestic certifications, thereby spearheading and catalyzing the industrial progress.

	Unit	2023	2022	2021
R&D investment	RMB 100 million	8.77	9.39	6.03
Ratio of R&D investment to operating income	%	4.45	4.83	4.79

## R&D Management Mechanism

In pursuit of continuous innovation, DMEGC has established a comprehensive framework and methodologies for technological innovation and management to ensure the R&D innovation of new products, materials, and technologies. DMEGC employs a three-tier collaborative innovation system involving the Company, business divisions, and factories. The Company is responsible for conducting forward-looking research on key technologies to drive breakthroughs "from zero to one" in technology and product development. Business divisions engage in secondary development and mass production introduction to facilitate "from one to N" value transformation. Factories and workshops drive qualitative enhancements through incremental innovations.

In terms of R&D, DMEGC has implemented a systematic technical evaluation system and a project accountability approach, conducting regular evaluations of existing technologies. Meanwhile, the Company has devised implementation guidelines for innovation management funds and established a reward mechanism for innovation accomplishments, thereby safeguarding innovation momentum and fostering employees' enthusiasm for innovation and creativity.



DMEGC Technology Innovation Management Process

The Company upholds innovation as the driving force in industry development, continuously enhancing "industry-university-research" collaborations, and fostering technical exchanges. We have established innovation platforms such as state-level corporate technology centers, state-level corporate postdoctoral research centers, provincial key corporate research institutes, and provincial PV cell and module engineering centers, attracting more than 2,900 R&D experts. During the reporting period, we have strengthened partnerships with higher education institutes such as the Ningbo Institute of Materials Technology & Engineering of the Chinese Academy of Sciences, Zhejiang University, the University of Electronic Science and Technology of China, and Zhejiang Normal University. Through various research studies and project developments, DMEGC has introduced several cutting-edge technologies and products, positioning itself as a leader in the industry.

### Key Performance in 2023: Talent introduction



In 2023, the R&D side of the Company welcomed **3 Ph.D. holders** and **3 Master's degree holders** through the "Hundred Talents Enter Enterprises" program.

Additionally, internal assessments led to the recognition of

- 2** senior engineers
- 9** engineers
- 36** assistant engineers
- 33** technicians
- 17** assistant technicians

Product Certification

In 2023, DMEGC accelerated its efforts in new product development and certification. Following rigorous review and testing standards, 18 products have successfully obtained new product certifications from the Department of Science and Technology and the Economy and Information Technology Department of Zhejiang Province. Among these certifications, 7 products have reached international advanced level, including ferrite products for charging equipment below 11KW for new energy vehicles, and 18650 lithium-ion battery with a high capacity of 2.9Ah. Additionally, 11 products have attained leading positions domestically, spanning advancements in N-type PERT/TOPCon module technology, the development of 8V28AN lithium battery packs for two-wheelers, innovation in nanocrystalline magnetic core materials with a magnetic permeability of 200, and progress in high-frequency and low-loss materials for molding power inductors. The accomplishments not only enhanced DMEGC's market competitiveness, but also expanded the range of high-quality options to customers.

Leading Standards Formulation

DMEGC actively engages in domestic and international industry associations and standardization technical committees related to magnetic components, photovoltaic products, electrical and electronic products. Leveraging its influence, DMEGC actively promotes and participates in industry exchanges and the establishment of technical standards, contributing positively to the healthy development of the industry.

Organization	Position
SolarPower Europe	Member
IEC Technical Committee 68: Magnetic Alloys and Steels	Registered Expert
IEC Technical Committee 51: Magnetic Components, Ferrite and Magnetic Powder Materials	Registered Expert
China Electronic Components Association	Vice Chairman
China Photovoltaic Industry Association	Executive Director
Magnetic Materials and Devices Branch of China Electronic Components Association	Chairman
Magnetic Materials Branch of China Electronic Materials Industry Association	Vice Chairman
TC89 Magnetic Components and Ferrite Materials	Vice Director
TC90 Solar Photovoltaic Systems	Committee Member
TC297 Environmental Standardization for Electrical and Electronic Products and Systems	Committee Member
Household Photovoltaic Professional Committee of China Photovoltaic Industry Association	Committee Member
China Electronics Enterprises Association	Director
Zhejiang Intellectual Property Alliance of Magnetic Materials Industry	Chairman
Photovoltaic Collaborative Innovation Industry Alliance of Yangtze River Delta G60 Science and Technology Innovation Corridor	Vice Chairman
Zhejiang Magnetic Materials Industry Association	President
Zhejiang Solar Photovoltaic Industry Association	Executive Vice President
Zhejiang Intellectual Property Association	Director

DMEGC's Positions in Industry Associations, Standardization Technical Committees and Alliances





DMEGC Hosting the 9th Member Congress of China Electronic Components Association

Key Performance in 2023



In 2023, DMEGC actively participated in the development of

**10** standards



By the end of 2023, the Company had led or participated in the formulation of

**52** standards

including **18** International Electrotechnical Commission (IEC) international standards, **12** national standards, **11** industry standards and **11** group standards.

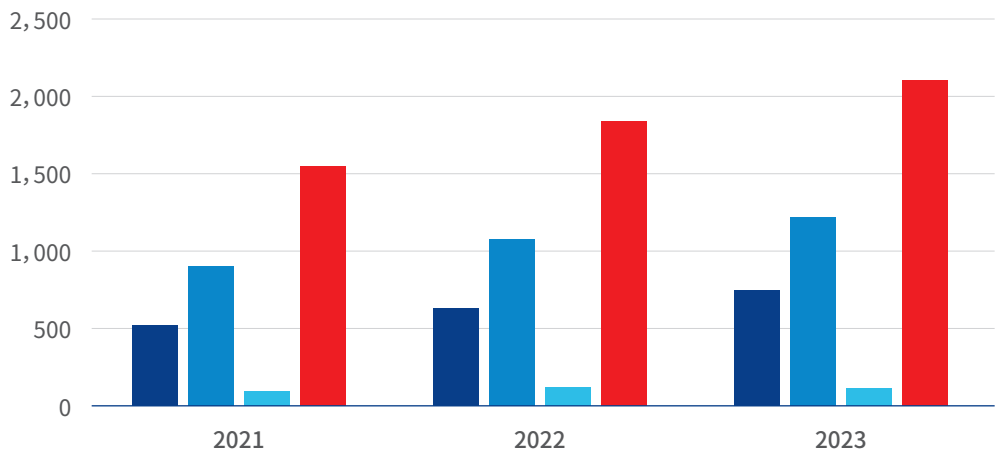
Standard	Name	Category	Leading/ participating
IEC 63300	Test methods for electrical and magnetic properties of magnetic powder cores	International standard	Participating
IEC 61332	Soft ferrite material classification		Participating
IEC 63182-8	Magnetic Powder Cores - Guidelines on dimensions and the limits of surface irregularities—Part 8: U-cores		Participating
IEC 63093-15	Ferrite cores - Guidelines on dimensions and the limits of surface irregularities - Part 15: U-cores		Participating
IEC 63182-9	Magnetic Powder Cores - Guidelines on dimensions and the limits of surface Irregularities—Part 9: Elliptical cores		Participating
20213178-T-339	Classification of metallic magnetic powder cores materials	National standard	Participating
20213177-T-339	Test methods for electrical and magnetic properties of magnetic powder cores		Participating
T/CIET 301-2023	Technical specifications for durability testing of magnets for motors	Group standard	Leading
T/CI 195-2023	Large cylindrical lithium iron phosphate battery for new energy power system energy storage		Participating
SEMI-PV75-0823	Test method on cell level for potential-induced-degradation susceptibility of solar cells and module encapsulation materials	Industry standard	Participating

Standard Formulation Led and Participated in by DMEGC in 2023

# Intellectual Property Management

DMEGC continues to invest in intellectual property management and protection, establishing a comprehensive intellectual property management system. We have developed the *General Principles of Intellectual Property Management*, the *Patent Management Measures*, the *Proprietary Technology Management Measures*, the *Patent Value Assessment and Hierarchical Management Measures*, the *Trademark Management Measures*, and the *Copyright Management Measures*. Through patent applications, authorizations, and structured intellectual property training, we ensure that innovative achievements are effectively safeguarded, thereby supporting the robust and steady innovation practices in DMEGC.

▼ DMEGC's Patent Grant Status from 2021 to 2023



■ Accumulated Number of Granted Invention Patents	526	643	749
■ Accumulated Number of Granted Utility Model Patents	899	1,076	1,221
■ Accumulated Number of Granted Design Patents	112	126	131
■ Total Number of Granted Patents	1,537	1,845	2,101



## China's first comprehensive intellectual property insurance

In 2023, the Company signed the first nationwide comprehensive intellectual property insurance agreement with the Jinhua Branch of PICC (The People's Insurance Company (Group) of China Limited). The agreement provides DMEGC with more than RMB 2 million in intellectual property risk insurance. The insurance package includes compensation for patent application fees, patent enforcement, patent infringement liability, and compensation for international PCT patent applications. By effectively reducing the cost of protecting intellectual property rights for innovators, this insurance has played a crucial role in advancing intellectual property creation, utilization, protection, management, and service standards.



## N-type TOPCon high-efficiency solar cell patent guides DMEGC's R&D and mitigates risks

In 2023, the Company initiated a research and industrialization project for N-Type TOPCon high-efficiency solar cells in accordance with the *Action Plan for Innovation-Driven Development of Smart Photovoltaic Industry (2021-2025)* issued by the Ministry of Industry and Information Technology and other government departments. Through a comprehensive analysis of relative patent from key countries and regions, the Company identified core products and technologies. By analyzing competitors' patent portfolios, R&D strategies, and crucial patent interpretations, DMEGC successfully identified both hot spots and blank spots in the patent layout of major competitors. This analysis guided our R&D efforts while avoiding infringement risks. The project was recognized as one of the top ten exemplary cases in patent navigation in Zhejiang Province for 2021-2023.



To further enhance the intellectual property awareness and capabilities of our workforce, DMEGC arranged a series of training sessions, encompassing diverse topics such as patent searches, international PCT applications, strategies for addressing corporate patent infringement disputes, case studies on foreign-related intellectual property matters, and patent information analysis.

## Key Performance in 2023

Training Performance - Intellectual property training

conducted

7 sessions

participation of employees

252 participants

total training hours

381 hours



Sharing of Foreign-related Intellectual Property Cases and Training on Compliance



Training on International PCT Application

# Product Quality and Safety

DMEGC is dedicated to ensuring product quality and safety, continuously refining our quality management system, implementing precise product quality control, fostering a culture of quality excellence, and extensively adopting digital quality management practices. With our commitment to consistent and exceptional product quality, we have earned the long-term trust of our customers.

## Quality Management System

The Company firmly believes that quality is paramount to its future success, serving as the cornerstone for gaining customer trust and driving sustainable development. Therefore, we are devoted to building a smart and refined quality management system to ensure exceptional quality in every process and product. In 2023, multiple business divisions and factories under DMEGC successfully passed external audits against international standards, including IATF16949, ISO 9001, ISO 14001, ISO 45001 and SA 8000, thus validating our high-quality management practices. Looking ahead, we will further optimize the quality management system to better align system processes with on-site operations to meet production needs and customer expectations.



ISO 9001 Certification



IATF16949 Certification



SA 8000 Certification



Highlights of Practice

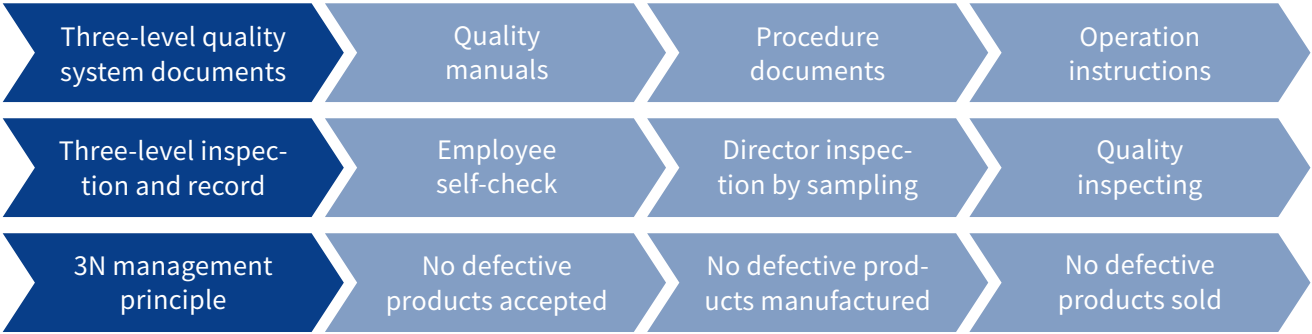
In 2023, DMEGC Laboratory successfully passed an on-site audit and obtained the prestigious ISO/IEC 17025 certificate, recognized by the China National Accreditation Service for Conformity Assessment (CNAS). This accomplishment positions our laboratory as the first in Zhejiang Province capable of conducting testing projects aligned with both the International Automotive Electronics Council standards (AEC-Q200) and Chinese national standards (GB/T2423) environmental reliability testing.



DMEGC ISO/IEC 17025 Laboratory Accreditation Certificate

Product Quality Control

The Company enhances its quality management system, conducting regular product and process audits to ensure continuous improvement. DMEGC strives for excellence in product quality through refined management and rigorous process control, aiming to achieve industry-leading standards. In 2023, the Company successfully upgraded and revised over 1,600 system documents and instruction manuals. The Quality Department promptly addresses the issues or defects discovered, organizes relevant departments for root cause analysis and implement corrective and preventive measures to enhance product quality management.



Quality Management System

Key Performance in 2023

In 2023, DMEGC achieved an OQC qualification rate of

98.38%

maintaining a consistently high level above

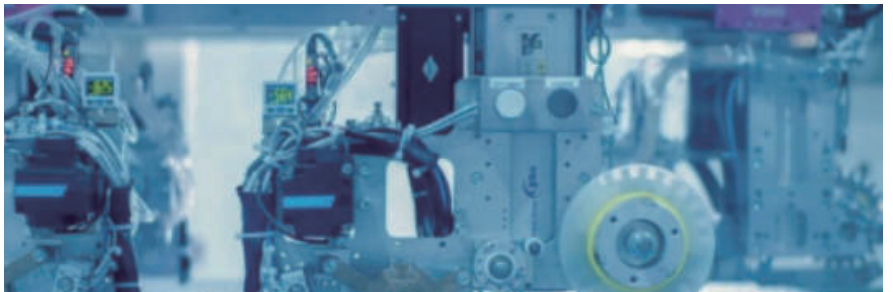
98%

for 3 consecutive years

For 3 consecutive years, the percentage of products sold or shipped that required recycling due to environmental and safety considerations remained at 0%. There were no environmental or safety violations associated with our products and services.

During the reporting period, our product qualification remained a leading position in the industry. A comparative analysis of data from 2021 to 2023 reveals a steady improvement trend despite minor fluctuations, underscoring our commitment to maintaining high standards of quality.

In 2023, DMEGC implemented regular and tiered audits of the production processes, conducting on-site inspections of factories of Permanent Magnet Division, Soft Magnet Division, and Plastic-Bonded Ferrite Magnet Division. Any issues uncovered during these audits have been promptly addressed and rectified. Furthermore, by facilitating mutual learning sessions, we have successfully enhanced the overall quality management practices across our factories.





## Quality Culture Fostering

### Key Performance in 2023

Training Performance -  
Quality training

conducted

**107** sessions

participation of employees

**5,771** participants

total training hours

**17,281.5** hours

DMEGC is dedicated to raising employees' quality awareness and cultivating professional talents to drive continuous improvement and innovation. In 2023, DMEGC took significant strides in promoting quality culture by prominently displaying quality policies and inspection guidelines in factories and office areas. We have also improved and promoted quality and 6S signboards in all factories, ensuring they are updated monthly. New employees undergo a three-tier training program, supplemented by specialized quality management training sessions. Furthermore, DMEGC selects the top ten quality professionals at the end of the year, serving as role models for the entire organization.

To strengthen the establishment of a robust quality culture, DMEGC's Quality Department organized a series of training sessions in 2023. These encompassed diverse topics, ranging from hazardous substances, ISO 9001 quality system fundamentals, FMEA failure mode and effect analysis, Eight Disciplines (8D), and 7 essential tools for quality management. Specific training was also conducted on VDA6.3 process auditor qualifications, IQC and OQC sampling inspection techniques.

Moreover, DMEGC continued to promote "Six Sigma" talent training in 2023, offering comprehensive training programs for black, green, and yellow belt candidates. We also uploaded a diverse array of course materials and videos to DMEGC Online School, catering to the diverse learning preferences of employees.



### Highlights of Practice

#### Results of Six Sigma Training

- In 2023, the number of participants in the Six Sigma training reached 3,613. At the same time, we carried out 12 Six Sigma projects such as "improving battery yield rate" and "addressing challenges associated with product impact breakage". These projects generated actual benefits of RMB 5.48 million.
- This year, over 40 employees from DMEGC took the China Association for Quality (CAQ) exam, with 6 passing the black belt examination and 16 passing the green belt examination.

## Digital Transformation

### Smart Manufacturing- Digital Empowerment for the Future

The Company firmly promotes its smart manufacturing strategy. In 2023, DMEGC embarked on a comprehensive digital transformation plan, emphasizing smart technological transformation. We successfully integrated equipment automation, production transparency, logistics precision, management mobility and data-driven decision-making. Through these efforts, we accelerated the construction of digital, smart and future factories, empowering DMEGC's commitment to innovation and development.

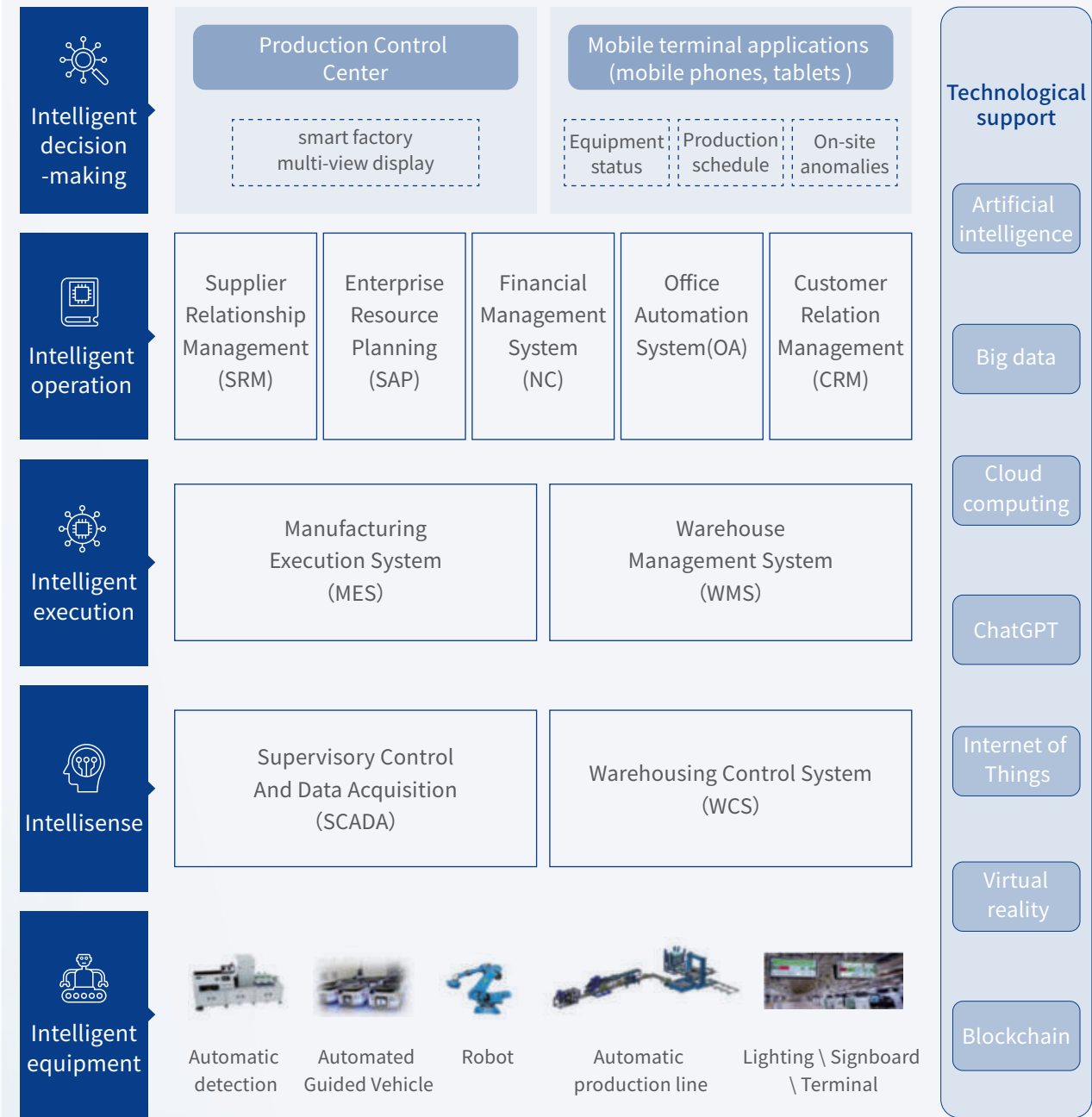


Solar Division's Future Factory

Digital Quality Management Upgrade

The Company actively embraces the digital era, leveraging advanced Manufacturing Execution Systems (MES) and Product Lifecycle Management Systems (PLM) to enhance quality management through digitalization. This includes automatic recording of process parameters, precise traceability of product quality issues, and comprehensive digital control throughout the product lifecycle. Through these systems, we ensure outstanding and stable product quality with a more comprehensive and precise approach. Moving forward, our goal is to integrate procurement, production, and customer relationship management systems, further advancing our digital governance capabilities.

**\* Smart manufacturing :** the overall framework of the solution covering the equipment layer, sensing, execution, operations and decision-making. It integrates the physical flow, information flow and value flow of production.



DMEGC Smart Manufacturing Solution



We made remarkable progress in building smart factories. One of our lithium battery smart factories was recognized as a demonstration project for 5G converged applications, while one of our soft magnetic ferrite smart factory has been designated as a provincial smart factory cultivation project. Sichuan DMEGC, Jiangsu DMEGC and Lianyungang DMEGC have achieved comprehensive private 5G network coverage, as well as interconnection between MES, ERP, AGV and other systems. These initiatives have effectively elevated our production management to a smarter level, demonstrating tangible results from our digital transformation efforts.



The Monitoring Platform of DMEGC 5G Smart Factory

Furthermore, with ERP as the core, we've undergone a comprehensive digital transformation across our core business systems, raw material traceability systems, overseas sales platform construction, manufacturing operation management, and network security. We established seamless connections with suppliers and customers while internally integrating our factories to achieve supply chain integration, daily operation and financial management integration. This has facilitated data sharing, interdepartmental collaboration, and significantly enhanced operational efficiency, financial management, and decision-making processes.

Automation Promotion

We made remarkable progress in promoting automation projects. In the Permanent Magnet Division, every process was successfully automated, with significant achievements in key projects such as mill inspection connection and kiln feeding machine implementation. Meanwhile, the Soft Magnet Division established a new benchmark factory, implementing an automated and digitized production line that spans the entire process from mixing, inspection, and sorting to packaging, leading the industry in digitalization and automation. In addition, the Solar Division, the Plastic-Bonded Ferrite Magnet Division, Chengji Electronics, and other business divisions also completed automation upgrade projects, resulting in a substantial improvement in production efficiency.

Key Performance in 2023			
Investment in automation transformation	In 2023, DMEGC completed a total of 105 automation transformation projects		with an investment of RMB
	105 projects		67.5995 million

Digital Innovation Training

We conducted a series of training sessions focusing on digital and automation innovation, covering a wide range of topics including production processes, communication procedures, EWMS business processes, etc. Additionally, we organized specialized training for equipment technicians, including courses on tooling equipment, robot operations, SOLIDWORKS mechanical design, and other relevant areas. Through these comprehensive training programs, we aim to enhance the automation skill set of DMEGC employees and contribute to the Company's digitalization.

Key Performance in 2023			
Automation training	conducted	participation of employees	total training hours
	11 sessions	485 participants	1,455 hours
Digital training	conducted	participation of employees	total training hours
	12 sessions	133 participants	1,275 hours

# Optimizing Customer Services

With a steadfast commitment to prioritizing customer needs, we embrace a "Customer first" approach and implement the "Local for local" strategy. This approach has led us to establish a global logistics, sales, and service network to meet the diverse requirements of customers worldwide. By the end of 2023, the Company had established 10 manufacturing bases, nearly 20 marketing bases and warehousing centers globally, enabling our service network to extend to nearly 70 countries and regions around the world. Our team has engaged in seamless collaboration both internally and externally, adopting flexible office hours to overcome language, culture, and time zone barriers. This enables us to provide tailored solutions and prompt services to meet the unique needs of customers and the market.

## Customer Rights and Interests Protection

### Service System

DMEGC considers customers to be the cornerstone of its development and has thus established a comprehensive customer service system and emergency management protocol to protect customers' rights and interests. At the same time, the Company has continuously optimized customer experience through in-depth customer satisfaction research, refined complaint-handling mechanisms and targeted resolution measures.

#### Pre-sales engagement

Understanding the potential needs of customers in advance and offering advice on technology development and product solutions



#### Considerate sales services

Opening green service channels, coordinating strategies, supporting demands, manufacturing products, and offering logistics, Q&A, and information-sharing services



#### Timely after-sales services

Improving the frequency and level of technical services to help customers optimize design, ensure quality, and reduce costs.



360-Degree Marketing Service System



Emergency Management Procedure of Solar Division

Solar Division formulated the *Business Continuity Management Procedures* by referring to the *Public Safety Business Continuity Management Systems Requirements*. The procedure document clarifies the responsibilities and operating procedures of each department in emergencies. DMEGC also formulated the *Major Disaster and Failure Emergency Response Procedures and Drill Plans*. We conduct drills regularly to ensure timely delivery to meet customer needs under extreme weather (earthquakes, floods, typhoons, mudslides, fires).

Major disasters and failures	Form of drills	Organization department
Major IT security incidents	Incident handling review	Work Safety Sommittee
Data recovery	Technical inspection	Smart Manufacturing and IT Department
Network crash recovery	Incident handling review	Smart Manufacturing and IT Department
IT disaster recovery	Simulation training	Smart Manufacturing and IT Department
Fire emergency response	Drill	Safety and Environmental Protection Department
Earthquake, rainstorm	Drill	Safety and Environmental Protection Department
Response to hacker	Incident review	Smart Manufacturing and IT Department

Major Disaster and Failure Emergency Response Procedures and Drill Plans

Information Security

DMGEC places paramount importance on customer information security, considering it the core of corporate social responsibility. We have established a robust information security system, which includes *Information Security Responsibility System*, *Emergency Response Plan*, *Information Security Incident Management System* and *Network Information Security Management Regulations*, ensuring the security, confidentiality and integrity of customer data from the source. We strictly limit unauthorized access, develop clear emergency response procedures, and establish incident reporting and handling mechanisms to minimize the impact of information security incidents. New employees are mandated to undergo information security training and specialized assessments to ensure they have the necessary awareness and skills to protect third-party confidential information and business secrets.

During the reporting period, the Company had no incidents of customer information or privacy breaches.

Customer Complaint Handling

In 2023, we comprehensively upgraded our customer complaint and return control procedures, outlining clear processes for handling customer complaints, feedback and returns, and refined the operational steps and assigned responsibilities. To improve processing efficiency, we cooperated with the IT Department to develop a standardized and technology-driven customer complaint management system, which further facilitated prompt and accurate responses to every complaint.

DMEGC attaches great importance to customer complaints and is committed to promptly responding to and resolving them. We conducted in-depth analyses of the complaint data to identify areas for product and service improvement, implementing targeted enhancements accordingly.

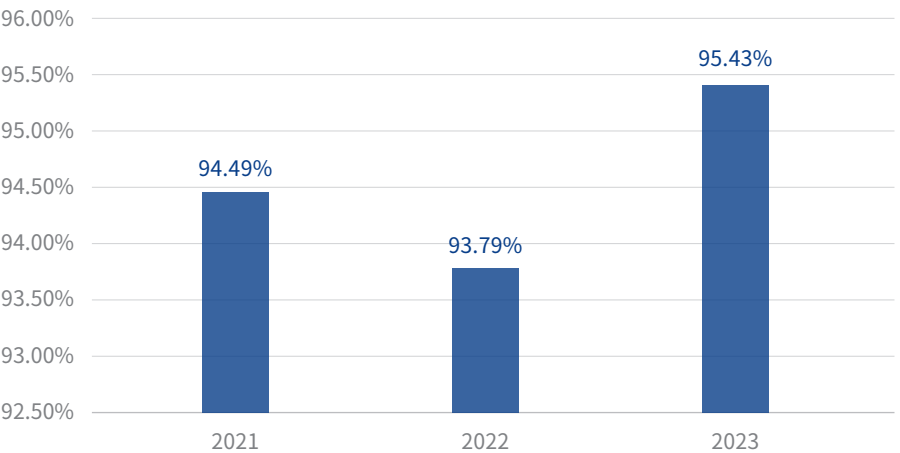
Key Performance in 2023



Customer Satisfaction Survey

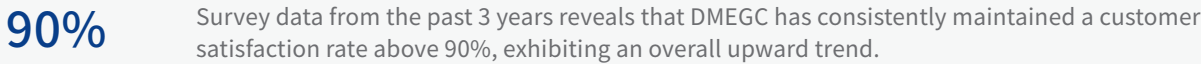
DMEGC constantly sees customer satisfaction as an important measure of service quality. To gain a comprehensive and objective understanding of customer needs and expectations, we employ a variety of research methods, including questionnaire surveys, regular sales visits, and internal satisfaction monitoring. Through these efforts, we continuously conduct customer satisfaction surveys and refine our complaint-handling mechanisms to ensure that customer rights and interests are fully protected. Moving forward, we will further enhance customer satisfaction by implementing measures such as conducting thorough investigations into major complaints, monthly statistical analysis of complaints, regular organization of quality meetings, and tailoring customer satisfaction improvement plans. Through these efforts, we strive to provide our customers with exceptional services and products.

DMEGC Customer Satisfaction



Key Performance in 2023

Results of DMEGC customer satisfaction survey







## DMEGC won the Bosch Global Supplier Award

In July 2023, DMEGC was honored as one of Bosch Group's global best suppliers for the period 2021-2022. The company has established a longstanding cooperative relationship with the Bosch Group and is recognized as one of the largest suppliers of magnetic materials to the Bosch Group. Our products find extensive application in a variety of motor-driven components such as windshield wipers, electric seats, rolling windows, sunroofs, braking systems and cooling motors.



## Characteristic products won recognition from European customers

Having maintained close communication with our customers, DMEGC delved deep into understanding their needs. Leveraging our expertise, we have designed and delivered one-stop comprehensive green energy solutions tailored to specific applications, such as photovoltaic roofs in greenhouses and parking lots. Following the reconstruction of these projects, the parking lots were transformed to not only serve their traditional functions but also to generate and store energy, and provide electric vehicle charging facilities. This initiative has significantly supported the green electrification transformation of the European automobile market. By the end of 2023, we had successfully completed dozens of such projects across various regions and countries, including the Netherlands, France, and Spain. As the only renowned brand in PV-integrated greenhouse application scenarios, DMEGC has received unanimous praise from our customers.



Parking Lot Reconstruction Project



# 06

## People-Oriented Principle and Harmony for Good



DMEGC is committed to protecting the rights and interests of employees and improving their capabilities of career planning and development. While paying attention to the health and safety of our employees and creating a safe workplace, we actively carry out public welfare activities to promote community development and build a harmonious and inclusive society.

+ The UNSDGs responded to in this chapter



+ Material topics addressed in this chapter

- Employee Equality and Diversity
- Employee Training and Career Development
- Employee Rights and Benefits
- Employee Health and Safety
- Safe Production
- Social Welfare



# Protecting Employees' Rights

DMEGC has established a comprehensive human resources management system to standardize the management of recruitment and dismissal, salary and benefits, training and promotion, and employee relations etc. This ensures the protection of employees' legitimate rights and interests.

## Compliance Employment

### Key Performance

By the end of the reporting period,

100%

of DMEGC employees had signed labor contracts.

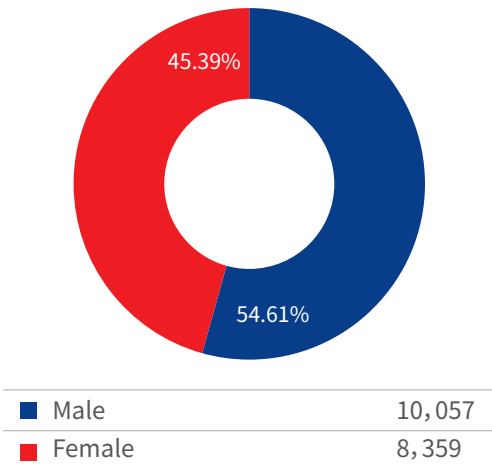
To regulate the employment process, DMEGC strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, and other relevant laws and regulations. Based on our actual operations, we formulated the *Social Recruitment Management System*, the *Child Labor Prevention and Remediation System*, the *Forced Labor Prevention System*, and the *Recruitment and Management System of Underage Workers*. During the reporting period, there were no incidents of discrimination, harassment, forced labor, or child labor. DMEGC conducts dismissal with its employees in accordance with the relevant laws and regulations where we operate.

## Equality and Diversity

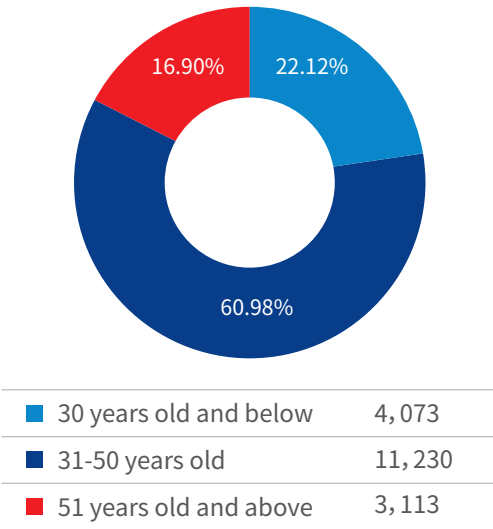
DMEGC is dedicated to cultivating a diverse and inclusive workplace environment. We have established the *Anti-Discrimination Policy and the Anti-Harassment and Anti-Abuse Policy* to prevent any form of discrimination based on ethnicity, race, nationality, religious beliefs, gender, age, disability, or marital status. Meanwhile, communication among employees from different backgrounds is promoted. Besides, we are committed to addressing the special needs of disadvantaged employees and setting up welfare enterprises to create employment opportunities for people with disabilities. In 2023, DMEGC has employed 108 with disabilities and 928 from ethnic minority groups.

As of the end of the reporting period, the total number of DMEGC employees was 18,416.

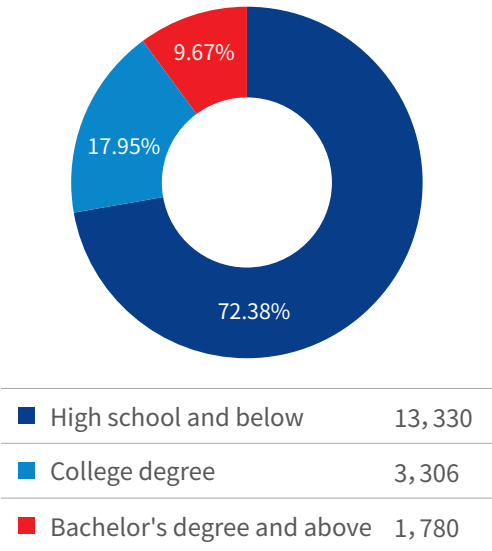
### Gender Structure



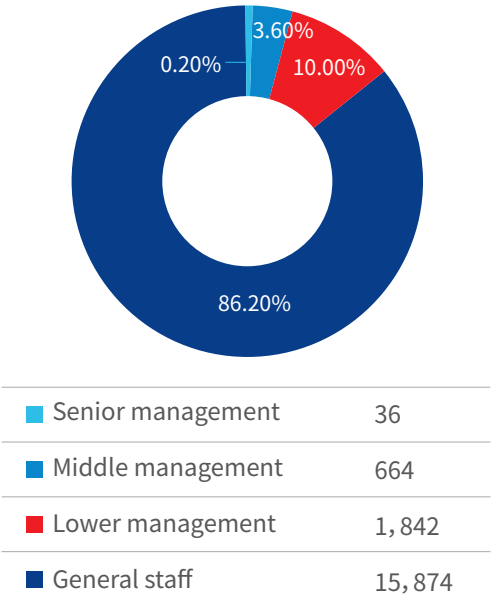
### Age Structure



### Educational Structure



### Rank Structure



Attaching great importance to the rights and interests of female employees, DMEGC abides by the *Special Rules on the Labor Protection of Female Employees* and supports their self-realization in the workplace. We strictly implement the maternity leave policy and regularly arrange special physical examinations and health lectures for female employees, demonstrating our commitment to providing diverse care and attention.

In addition to establishing an Executive Committee of Women Representatives at the company level, DMEGC has appointed 80 part-time women directors in various departments to actively address the needs of female employees and advocate for their welfare. In 2023, the Company has provided gynecological cancer insurances for more than 6,000 female employees. In addition, on special occasions such as International Women's Day, we express our gratitude to female employees by sending holiday blessings and benefits, acknowledging their hard work in both work and life.



### "DMEGC Goddesses" Women's Day Activity

On March 4, 2023, DMEGC organized the "DMEGC Goddesses" Women's Day activity at the DMEGC Photovoltaic Industrial Park's football field, with more than 500 female employees participating. This event aimed to enrich the spare time life of female employees and enhance their physical fitness. Various enjoyable activities such as "Happy Football", "Dragon's Ocean Exploration" and "Crab-Trot Race" were organized. Through these activities, female employees vigorously showed their high-spirited and enterprising attitude.



DMEGC's "DMEGC Goddesses" on the Women's Day in 2023



### Key Performance

By the end of the reporting period, the proportion of female employees in the senior management of DMEGC was

**22.2%**



DMEGC Conducting Health Lectures for Female Employees

## Salary and Benefits

### Employee Salary and Welfare System

The Company has established a systematic and comprehensive salary and welfare system, committed to providing employees with regionally competitive salaries. We adhere to the principles of compliance, fairness, and reasonableness in formulating the Remuneration Management Policy and manage internal salaries accordingly. The ratio of the total annual salary of the highest-earning employee to the median annual total salaries of all employees is 12.29.

### Employee Performance System

Focusing on integrating our overall goals with employees' personal objectives, we regularly conduct performance and career development assessments for all employees. In 2023, DMEGC improved the annual performance evaluation mechanism, comparing the target plan with the completion of the goals. Direct and indirect supervisors organize employees to conduct performance-based interviews to ensure accurate and impartial evaluation. To motivate employees more effectively, we have formulated the *DMEGC Third Employee Stock Ownership Plan Management Measures*, combining incentive and restraint mechanisms while continuously improving employees' salaries.



Employee Welfare System

Key Performance

100%

insurance coverage on pension, medical, unemployment, work injury and maternity

The Company offers a variety of benefits for employees. DMEGC has formulated the *Social Insurance Management Regulations* to pay various social insurance for all employees by the law to achieve full coverage of pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance. In addition, we provide employees with medical mutual aid insurance and have labor union representatives sign collective contracts with the Company.

In 2023, the Company revised the *Overseas Employees Management Regulations* to clarify the welfare and benefits of assigned employees. For employees assigned to work overseas due to business development, we not only provide expatriate subsidies including home-leave allowance, hardship allowance, meal allowance, accommodation allowance, and other allowances, but also provide parental leave twice a year and irregular livelihood care, to encourage active participation in overseas enterprises development.

DMEGC pays attention to employees' basic life necessities and provides employees with benefits in multiple scenarios to enhance their sense of happiness and belonging. We formulated the *Employee Housing Policy*, which ensures that employees working locally in Hengdian residing more than 15 kilometers away from their homes have access to dormitory accommodations.



Employee Benefits Provided by DMEGC



DMEGC Leisure Area for Employees

Democratic  
Communication

Key Performance

By the end of the reporting period, DMEGC has adopted more than

1,100

rationalization suggestions by employees

of which 98% have been implemented

Respecting employees' rights to freedom of assembly and association by the law, DMEGC formulated the *Employee Freedom of Association Management Policy* and the *Equal Consultation Policy*. As of the end of the reporting period, the DMEGC labor union has established 14 branch unions and 108 branch union groups to protect the democratic rights of employees by the law. In July 2023, the Company and its labor union jointly held a seminar for employee representatives to track the issues raised at the 2022 seminar, and conducted discussions and negotiations on important topics, such as employee rights, labor conditions, wages and benefits.

To foster positive employee relations, DMEGC has established the *Employee Grievance System*, creating a diverse and open communication environment. Employees can express their opinions or complaints through various channels, including seminars for employee representatives, the General Manager's mailbox, satisfaction surveys, and rationalization suggestion. For the collected employee opinions and suggestions, we develop corresponding solutions after classification and summary. A tracking mechanism is also established to ensure their closed-loop processing. DMEGC conducts canteen satisfaction surveys among employees to provide better catering services every June and December. In 2023, the canteen satisfaction rate was 87.45%. In response to employees' opinions and suggestions, DMEGC has also formulated corresponding rectification plans and required its canteens to make rectifications within a limited time period.

Attaching great importance to rationalization proposal work, DMEGC conducts evaluations not only at the department level every quarter but also at the company level every six months. The Company has also established a corresponding incentive mechanism to encourage employees to make suggestions and boost their motivation for participating in rationalization proposal activities.

Safeguarding Employees' Health

DMEGC strictly abides by laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*. The Company continuously improves its health management policy, strengthens the control of employees' occupational health and safety, and strengthens the safety training and publicity for employees to improve their health and safety awareness.

Safety Production Management

Safety Management System

Adhering to the safety management policy of "emphasizing on safety and prevention in comprehensive management", the Company established a safety production system with "each one of each level assuming respective responsibilities". We also set up a Production Safety Committee and a three-level safety management structure, ensuring clarity of responsibilities throughout the organization. To address the specific needs of our operations, we have formulated the *Safety Management Policy* and 25 subdivided related policies, covering production safety, fire safety management, occupational health management, special equipment management, special operation management and hazardous chemicals safety. In accordance with the principle of "horizontal to the edge, vertical to the end", DMEGC signs *Work Safety Management Responsibility Letters*, with various departments and divisions, and each department or division signs it with its subordinate units, and each subordinate unit and workers sign it at all levels to ensure that safety responsibilities are implemented by everyone. This initiative aims to improve employees' safety awareness and ensure accountability. Additionally, we implement a dual prevention mechanism involving risk classification management, hidden risk treatment, and regular hazard source identification exercises.



Key Performance

In 2023, the Company signed a total of

20,172

Work Safety Management Responsibility Letters, with a

100% signing rate

In 2023, DMEGC invested

RMB 36.375 million

in production safety, carried out

2,185

production safety inspections, and issued

2,778

rectification notices, with a

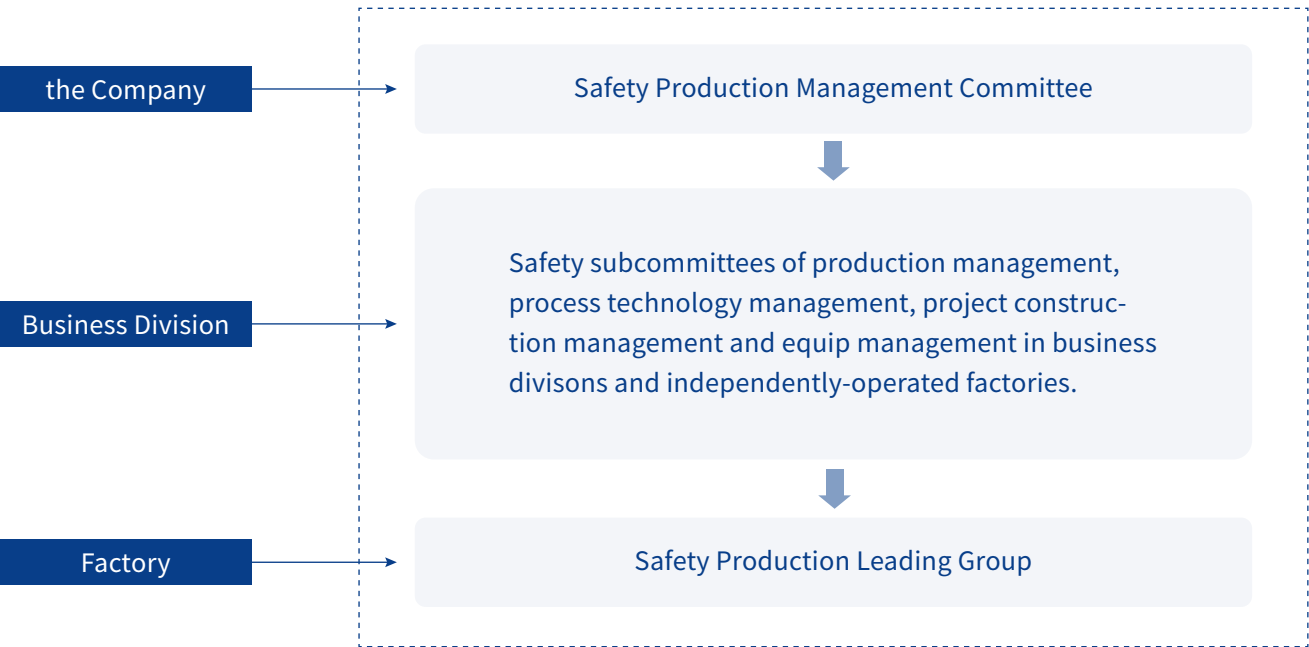
98.93%

rectification rate of hidden risks

Each subordinate division organizes a full coverage of hazard source identification at least once a year to conduct risk classification management and control. DMEGC carries out various forms of risk inspection and treatment annually, including daily inspections, pre-holiday inspections, special inspections and seasonal inspections, and conducts closed-loop management on the risks found. The Company takes supplementary measures, such as safety training and emergency rescue management, to continuously strengthen safety risk management and control, ensure basic safety, and formulate the safety management policy in each factory. In addition, to strengthen the safety management of contractors, the Company formulated the *Contractor Safety Management Policy*, clarifying contractors' safety management responsibilities and authorities. Our Soft Magnet Division, New Energy Battery Division and Chengji Electronics have obtained ISO 45001 occupational health and safety management system certification.



ISO 45001 Certification



DMEGC Safety Management System Diagram

Safety Production Standardization

In April 2023, the Company passed the safety production standardization audit of the Dongyang Emergency Management Bureau and obtained the certificate of "Level 3 Enterprise of Safety Production Standardization".



## ■ Security Compliance

To identify, analyze, and predict the existence of dangerous and harmful factors, their potential consequences and extent, and to put forward reasonable and feasible safety countermeasures to achieve the lowest accident rate, the Company organizes all kinds of safety evaluation tasks; to safeguard the lives of the personnel and the safety of the property, and to prevent the occurrence of fire accidents, the Company organizes the fire acceptance of the projects. In 2023, DMEGC completed the safety evaluation of 6 projects and the fire inspection and acceptance of 5 projects.

## ■ Special Equipment Management

In order to ensure the safe operation of special equipment and protect personnel and property safety, DMEGC established a leading group for special equipment safety management and management groups for each division. Each division determines the main person in charge of special equipment safety and designates safety directors and officers. Each division shall regularly conduct self-inspection and maintenance on special equipment and case accessories, keep records, and declare and accept inspections in accordance with regulations.

In 2023, the Company promoted the smart supervision of forklift safety, and installed a smart supervision system for 73 forklifts to achieve the safety of the whole process of forklift use and effectively prevent the occurrence of various types of accidents.

## Occupational Disease Prevention

To prevent, control, and eliminate occupational disease hazards and improve the level of occupational disease prevention and control, the Company formulated relevant policies, such as the *Occupational Health Management Policy*, the *Occupational Disease Protective Equipment Management Policy*, the *Warning and Notification Policy of Occupational Disease Hazards*, and the *Occupational Disease Hazard Prevention and Control Responsibility Policy*. These policies aim to prevent and control occupational diseases to protect employees' health and related rights and interests. In order to strengthen occupational health management, DMEGC established a leading team for occupational disease prevention and control in each business division and independently operated factory. The team examines and evaluates occupational diseases in accordance with regulations. We conduct comprehensive health examinations for employees in positions prone to occupational diseases, including pre-employment, during employment, and pre-resignation checkups. This ensures the health and well-being of employees throughout their work cycle. We distribute personal protective equipment as needed in accordance with laws and regulations, and standardize such equipment selection, allocation, use, maintenance, and scrap management. DMEGC has established and improved six ledgers for occupational health management. The Company has actively organized relevant personnel to conduct rectification and analysis of positions with occupational disease hazard factors and made such factors less concentrated and intensive by increasing investment, optimizing production processes, improving mechanical equipment, and adopting the technology of sound insulation and noise reduction.



Key Performance



100%

In 2023, the evaluation and testing of occupational hazards were completed in all factories under the Company, with a coverage rate of 100%.



100%

We organize pre-job occupational health examinations for employees who are newly hired or transferred to occupational hazard positions. Employees in occupational hazard positions undergo occupational health examinations according to the corresponding physical examination cycle during the post. Employees in occupational hazard positions undergo off-the-job physical examinations before leaving their jobs. The occupational health examination rate in 2023 will be 100%, and those with occupational contraindications have been replaced.



100%

We organized the improvement of occupational hygiene bulletin boards, notification cards, and warning signs for positions with occupational hazards in each division and set up 1,348 warning signs and notification cards for occupational hazards, completing a coverage rate of 100%.



100%

In addition, the Company conducted special inspections for positions with heavy occupational hazards and proposed 20 corrective actions, with a 100% correction rate.

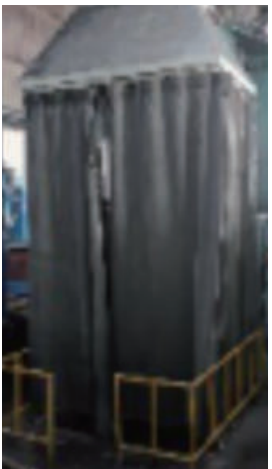


The DMEGC No. 1 Plastic-Bonded Ferrite Magnet Factory installed dust collection hoods and curtains to reduce dust problems

In April 2023, the No.1 Plastic-Bonded Ferrite Magnet Factory took measures to address dust hazards extrusion workshop's motor bar and process areas. Recognizing the potential risks posed by dust, particularly in the mixing process, the factory swiftly implemented effective solutions. Dust collection hoods and curtains were installed at the discharge port of the internal mixer, resulting in a significant reduction in dust levels. Besides, the Company plans to update more relevant equipment to further control dust hazards. The factory further improved and put into use a dust collector with an air volume of 40,000 m<sup>3</sup>/h. We improved the cloth curtain and dust collection hood into iron-skin dust collection devices, improving the dust collection effect and significantly reducing dust hazards. The detected concentration of other dust (total dust) declined from 5.9 mg/m<sup>3</sup> to 1.03 mg/m<sup>3</sup>, a decrease of 4.87 mg/m<sup>3</sup> and a rate of 82.5%.



Before transformation



After transformation



After secondary transformation



## Hazardous Chemical Safety Management

To strengthen the safety management of hazardous chemicals and prevent accidents in their procurement, transportation, storage, handling, use and disposal, the Company has formulated the *Hazardous Chemicals Safety Management Policy*, the *Explosive Chemicals Management Policy* and the *Precursor Chemicals Management Policy*. The policies stipulate that the person in charge of the business division and factory is the first person responsible for the safety management of chemicals. The business divisions and factories are responsible for the safety management of hazardous chemicals. The Supply & Purchasing Department is responsible for chemical procurement, qualification review and daily safety management of hazardous chemical warehouses. Safety departments at all levels are responsible for supervising and managing chemical safety. The Enterprise Management Department is responsible for supervising and managing the disposal of hazardous chemical waste. In this way, we protect the health and safety of all employees. We take measures and set up special hazardous chemical warehouses to ensure the safe use, standardized storage and timely disposal of chemicals. In 2023, DMEGC organized personnel from chemical-related subsidiaries to participate in safety management training on hazardous materials. Among them, 7 people obtained the certificate of *Chief Person in Charge of Hazardous Chemicals*, and 54 people obtained that of *Hazardous Chemicals Safety Manager*. Besides, we continue to reduce unit consumption of chemicals and take practical actions to minimize the potential risks of the production process and products to the environment and employees. The Company has prepared various plans, such as the *Emergency Plan for Production Safety Accidents* and the *Fire Emergency Plan*. We regularly organize special fire emergency drills and chemical leakage emergency drills, improving our capabilities of chemical safety management and emergency response.



### Special Emergency Drill

On September 8, 2023, the Solar Division organized a special emergency drill for ammonia leakage, improving its emergency response capabilities for safety production accidents. By doing so, we tested the effectiveness of the emergency plan and employees' emergency response capabilities.



Special Emergency Drill for Ammonia Leakage

## Safety Culture Construction

DMEGC has formulated a plan for safety production education and training. The training personnel include the major in-charges of each division, safety management personnel, special operators, new employees, employees transferred, reinstated employees, and those using new processes, new technologies, new materials and new equipment (as the "4 New" personnel). The online and offline training covers key areas, such as hazardous chemical management, eight special operations, occupational health, contractor safety, occupational diseases, climbing operations, welding operations, fire safety, accident warning and emergency response. In this way, we popularized safety knowledge and the importance of safe production and operation for employees, and built up the training of emergency teams to improve their emergency response capabilities.



Key Performance in 2023

Training Performance-  
Safety Training:

conducted

2,446 sessions

participation of employees

133,973 participants

total training hours

204,206.8 hours



Chemical Safety Training

In August 2023, the DMEGC No. 1 Lithium Battery Factory carried out training on the safe management of hazardous chemicals, explaining the definition, classification, and varieties of hazardous chemicals and improving the awareness and ability of employees to store and use hazardous chemicals according to the requirements and to deal with related accidents.



On-site Management Training and Drills on Hazardous Chemicals



DMEGC Safe Operation Management Training

# Empowering Employee Development

DMEGC pays attention to employees' development and actively conducts employee training. We have established a dual career ladder with both horizontal and vertical development to help employees grow in their careers.

## Employee Career Development

Upholding the talent selection concept of "fair, just and open", The Company developed the *Management Policy for the Selection and Training of Reserve Managers*, the *Appointment and Removal Power System*, the *Grading Standards for Technical Staff*, and other policies to regulate employees' training and development. In addition, we implement the *Personnel Avoidance Policy* to eliminate nepotism in key management positions. The Company has already established promotion channels, such as technical staff grading, skilled staff grading, and management grading. We made clear requirements for the grading of each level to ensure that every employee can receive fair promotion opportunities.

The Company respects the development needs of employees. We have supported employees' internal job transfers by posting recruitment information on the intranet and opening resume submission channels. In 2023, more than 1,000 people have been transferred internally.



DMEGC conducted the "skills plus education" dual certificate collaboration with Quzhou College of Technology

To meet employees' personal growth and career development needs, DMEGC conducted the "skills plus education" dual certificate collaboration and established Mechatronics Technology with Quzhou College of Technology. We offer 50% of tuition reimbursement for graduates. In 2023, 92 students graduated from the program, with 197 enrolled in the diploma program and 75 in the undergraduate program.



Mechatronics Technology Courses Jointly Offered by DMEGC and Quzhou College of Technology






DMEGC as the Deputy Director Unit of the National Community of Industry and Education Integration in Industrial Network

The Company actively deepens school-enterprise cooperation to achieve sustainable development. In 2023, together with Zhejiang Normal University, DMEGC completed Modern Industry Colleges Construction of Zhejiang Province and National Community of Industry-Education Integration in Industrial Network. We applied for the joint establishment of the DMEGC Production-Education Integration Base for Tsinghua University Graduate Employment Practice. In the future, DMEGC will continue to explore new models of school-enterprise cooperation and promote the integration of internship and employment. By doing so, the development source of the talent "reservoir" for DMEGC is continuously replenished.

## Employee Training

DMEGC adheres to empowering its employees through training. The Company adopts a training management system at 3 levels: company, departments, and factories. We provide training courses closely related to the functions of training objects at each level to meet their training needs at different stages.






Hierarchy	Training objects	Responsibilities	Teaching focus
 Company	<ul style="list-style-type: none"><li>• Senior, middle and lower-level managers</li><li>• Highly skilled talents</li><li>• Newly recruited college students</li><li>• Tutors and lecturers</li></ul>	<ul style="list-style-type: none"><li>• Establishing and improving the top-level design of the curriculum system, lecturer system and training system</li><li>• Knowledge management and inheritance</li><li>• Job rotation training on senior management</li></ul>	<ul style="list-style-type: none"><li>• Corporate culture</li><li>• Leadership</li><li>• Management concept, tools and methods</li><li>• Knowledge extraction and inheritance</li><li>• Teaching expertise</li></ul>
	<ul style="list-style-type: none"><li>• Business backbones</li></ul>	<ul style="list-style-type: none"><li>• Establishing and improving induction and in-service course system of professional sequence</li><li>• Development and upgrade of professional sequence courses</li><li>• Lecturer selection and professional improvement</li></ul>	<ul style="list-style-type: none"><li>• Induction and in-service professional sequence courses</li></ul>
 Department	<ul style="list-style-type: none"><li>• Newly recruited college students</li><li>• Middle and basic managers</li><li>• Business backbones</li></ul>	<ul style="list-style-type: none"><li>• Organizing and carrying out on-the-job training and apprentice programs</li><li>• Arranging internship in factories</li><li>• Organizing the preparation of case studies and job training materials</li><li>• Job rotation training in middle management</li><li>• Developing learning paths based on qualification assessment standards</li></ul>	<ul style="list-style-type: none"><li>• Department introduction</li><li>• Post knowledge</li><li>• Industry knowledge</li><li>• Products information</li><li>• Process knowledge</li><li>• System standards</li></ul>
	<ul style="list-style-type: none"><li>• New employees</li><li>• Workshop directors</li><li>• Team leaders</li></ul>	<ul style="list-style-type: none"><li>• Carrying out skills training for new employees and arrange apprentice programs</li><li>• Workshop director training</li><li>• Preparing job training materials</li><li>• Organizing and arranging employees' job rotations at basic posts</li></ul>	<ul style="list-style-type: none"><li>• Post knowledge and operational skills</li><li>• Fire Safety</li><li>• 6S awareness</li><li>• Process and product knowledge</li></ul>
 Factory			

DMEGC's "three-level" Training Management System



To make the training more professional and effective, the Company set up DMEGC Institute of Management for talent training. As DMEGC's strategic partner and employees' partner, the Institute of Management adheres to simple and practical courses and conducts training connected to strategy and performance. To ensure effective training, we formulated the *Training Management System*, the *Measures for Internal Lecturer Certification and Management*, the *Measures for Tutorial System and Apprentice Management* and the *Measures for Employee Academic Education Management*.

The training is divided into 5 sections: reserved talent training, skilled talent training, professional talent training, international talent training and new employee training.

Training section	Specific content	Total number of class hours	Total number of people
 Reserved talent training	In terms of basic, middle and senior management, training programs include DMEP class, Huangpu class, workshop director advance camp, and overseas enterprise leadership training camp.	336	359
 Skilled talent training	In terms of junior, intermediate and advanced levels, training programs include electrician class, machine repair class, pneumatic and hydraulic class, and digital smart class.	511	538
 Professional talent training	Training is carried out at different levels according to different job sequences, with the existing Six Sigma yellow, green and black belt classes, training professional ability enhancement camps, and training programs for marketing and purchasing sequences.	169	570
 International talent training	In response to DMEGC's internationalization strategy, we have designed an overseas corporate training system and developed personalized programs based on the needs of each operating unit.	9	38
 New employee training	The training is divided into three categories: pre-job training, induction training for newly recruited college students, and induction training for newly recruited personnel. All new employees must undergo induction training to understand and integrate into DMEGC and master job skills in a short time.	324.5	1,880

Training of 5 Sections of DMEGC College of Management in 2023

In addition to the above five sections, the Company offers targeted training programs based on the needs of business divisions. In 2023, the Company carried out training programs, such as a management improvement training camp for business executives, leadership management and talent echelon construction, and a training competence improvement camp for new workers in New Energy Battery Division. In this way, DMEGC helps employees improve their overall qualities.

Key Performance in 2023

Training Performance:

In 2023, the Company conducted a total of more than

3,900 training sessions

participation of employees

177,488 participants

total training hours

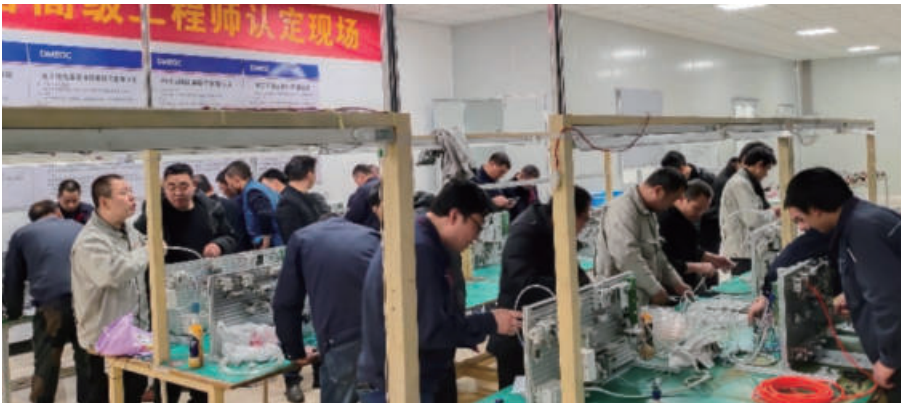
308,000 hours



Reserved Leadership Training



2023 DMEP Class Graduation Ceremony



Skilled Worker Training

# Caring for Employees' Life

## Organizing Various Activities

To promote employees' work-life balance, DMEGC regularly holds various cultural and sports activities, such as sports games and family days to enrich their spare time life.



Activities of 10th DMEGC Tai Chi Anniversary



### DMEGC Held the 20th Employee Sports Games

In September 2023, DMEGC held the 20th employee sports games themed "Together for the Future", with 2,484 employees participating. The games covered not only team sports, such as basketball, football and gas volleyball, but also individual sports, such as rope skipping, long jump and shot put, as well as interesting activities, such as embroidery ball throwing, and energy transfer. The games were competitive, collaborative and entertaining, allowing employees to enjoy the joy of sports.



DMEGC's 20th Employee Sports Meeting



### DMEGC Held the 2nd "Family Day"

In August 2023, DMEGC held the second Family Day with the theme of "Walking with Love", inviting imported talents and their families to DMEGC. The Family Day included a factory tour, parent-child interaction, and scenic tours, leaving a remarkable memory for employees and their children.



DMEGC's 2nd "Family Day" Campaign

## Assistance to Families in Need

To provide timely assistance to employees and their families with difficulties, the Company formulated the *Management Measures for Mutual Aid Association*. Employees in the Mutual Aid Association can apply for aid confronted with natural disasters, serious illnesses, or unaffordable children's tuition fees. The Mutual Aid Association adheres to the principles of "openness, fairness and impartiality" and ensures aid reaches those genuinely in need. In December 2023, an earthquake hit Jishishan County, Linxia Prefecture, Gansu Province. The Mutual Aid Association provided financial assistance to 44 affected employees from the region and meticulously documented their cases to address their hardships.



### Key Performance



Since the establishment of the Mutual Aid Association, a total of **RMB 395.79 million** has been distributed



**1,411** people have been helped in total including **71** people in 2023



# Prospering with the Community

DMEGC actively fulfills its corporate citizen responsibilities by providing long-term support to social charities and encouraging employees to engage in voluntary services to promote the sustainable development of local communities.

## Rural Revitalization

DMEGC pays attention to rural development and responds to national strategies by participating in rural support and agricultural assistance initiatives. The Company not only provides financial assistance to surrounding villages, but also increases the income of local farmers by purchasing their agricultural products. In 2023, DMEGC established a leadership group to collaborate with villages, providing annual financial support to the Hutoulu Community to promote local economic development.

## Common Prosperity

DMEGC proactively shoulders the responsibility of promoting common prosperity by actively employing impoverished labor and establishing production bases in the central and western regions to facilitate collaborative development. Furthermore, in order to address the skills and education gaps among some employees, the Company provides customized training to assist them in planning their career development paths.

## Public Welfare Actions

DMEGC is actively committed to giving back to society by listening to public opinion, addressing community issues, and undertaking initiatives for the betterment of society. We actively organize and encourage employees to participate in volunteer service activities, demonstrating our compassion and warming hearts through practical actions. In 2023, the Company organized voluntary activities such as blood donation and public welfare cleaning campaigns.

### Key Performance

In 2023, the Company carried out

**3** public welfare activities

with

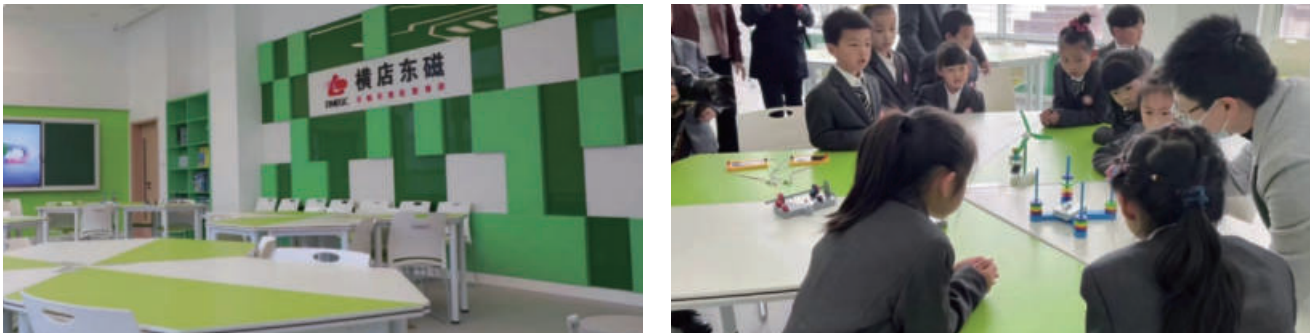
**990** employees participating in



DMEGC's Blood Donation Activity

DMEGC collaborates with schools to jointly conduct knowledge-sharing activities. In scientific and technological practices, we aim to stimulate students' creativity and spirit of exploration, thereby contributing to their future growth and development. Together with Hengdian Wenrong Primary School, DMEGC launched the program "DMEGC Experimental Classroom". In the program, we introduce advanced DMEGC products into the classroom and give students an interesting, in-depth understanding of magnetism, optics, and electricity. In 2024, DMEGC further plans to send teachers with PhD degrees to the schools.

The project has not only enabled students to experience the charm of science and technology firsthand but also boosted the enthusiasm of DMEGC workers. It motivates them to utilize their strengths and expertise, actively participate in and support science education initiatives, and fulfill their social responsibilities.



DMEGC has launched "DMEGC Experimental Classroom" with Hengdian Wenrong School

### Key Performance



By the end of December 2023, DMEGC had recruited 3,414 low-income employees from Yunnan, Sichuan, Guizhou and other regions

**3,414** people



with a payroll of approximately

RMB **227** million

# Vision in 2024



In the future, DMEGC will continue to leverage the advantages of the dual-core businesses, maintaining the steady development of the magnetic material sector and the high-quality development of the new energy sector. We will take practical actions to bring various ESG goals and commitments into fruition, and work closely with customers and partners to empower global sustainability.

In 2024, we will improve the procedures and functions of the Strategy and ESG Committee, and establish a robust mechanism for setting and evaluating sustainable development goals to facilitate the establishment and execution of ESG objectives. We will establish a comprehensive top-down ESG management system, clearly delegating responsibilities to ensure the effective execution of various initiatives.

To further promote green development, the Company will focus on achieving the goals of carbon peaking by 2030 and carbon neutrality by 2050, and be committed to decoupling economic growth from carbon emissions. On the basis of our current low-carbon strategy, we will implement various initiatives such as green power deployment, CCER projects, renewable energy promotion, and energy storage applications to advance our self-emission reduction program.

For products and production, we will focus on developing advanced technologies for various products to enhance our competitive edge and strengthen our differentiation for future growth. Additionally, we will continue carbon footprint certification across all business segments, enhance product lifecycle management, reduce carbon footprints, and improve environmental friendliness. We will continue to place a high emphasis on production safety, integrating quality and responsibility into every stage of production.

Starting from the Solar Division, we will further collaborate with supply chain partners to carry out SA 8000 certification. We will take the certification as a supplier access prerequisite and then extend it to all business divisions to enhance the overall social responsibility of the value chain.

Onward we stride, amidst the rolling waves. Devoted to the path, tireless steps we take. Through our diligent work, we focus on laying a solid foundation in the background of global sustainable development. We will actively engage in value chain collaboration to enhance the influence of DMEGC in the ESG context, and devote ourselves to delivering greener products and energy to users around the world.

## Key Performance

### Economic

Indicators	Unit	2023	2022	2021
DMEGC operation				
Total assets	RMB billion	21.196	17.610	12.892
Net assets attributable to shareholders of the Company	RMB billion	9.006	7.750	6.730
Operating revenue	RMB billion	19.721	19.451	12.607
Net profit attributable to shareholders of the Company	RMB billion	1.816	1.669	1.120
Operating cash flow	RMB billion	3.894	2.887	1.285
Total tax payment	RMB billion	1.112	0.845	0.658
Basic earnings per share	RMB/share	1.13	1.03	0.69
Weighted average return on equity	%	22.06	23.29	17.75

### Governance

Indicators	Unit	2023	2022	2021
Corporate Governance				
Number of the Board members	-	7	7	7
Number of independent directors	-	3	3	3
Number of female directors	-	1	1	1
Total participants of business ethics and anti-corruption training	-	1,116	648	-

### Social

Indicators	Unit	2023	2022	2021
Technological Innovation & Intellectual Property Protection & Customer Service				
R&D investment	RMB billion	0.877	0.939	0.603
Investment in automation technology	RMB 10,000	6,759.95	-	-
Investment in safety production	RMB 10,000	3,637.5	-	-



Indicators	Unit	2023	2022	2021
Number of patent applications	-	321	385	354
Cumulative number of patents authorized	-	2,101	1,845	1,537
Led or participated in standard formulation	items	52	43	33
Intellectual property protection training session	times	7	10	8
Provincial-level new product identification	-	18	12	9
Contract fulfillment rate	%	100	100	100
Supplier				
Number of major raw and auxiliary material suppliers	-	693	549	664
Number of suppliers from Mainland China	-	660	521	635
Number of suppliers from other countries and regions	-	33	28	29
Number of suppliers audited by social responsibility standards	-	78	92	85
Supplier training	times	68	55	52
Employee				
Total number of employees	-	18,416	16,121	15,269
Total wages and other labor remuneration paid	RMB billion	1.880	1.823	1.628
Percentage of male employees	%	54.61	56.94	56.14
Percentage of female employees	%	45.39	43.06	43.86
Female in senior management	%	22.22	17.14	16.22
Employee Training				
Total employee training hours	hours	308,154.5	234,882	-

Indicators	Unit	2023	2022	2021
Total participants of employee training	-	177,488	144,429	-
Social Welfare				
Investment in rural vitalization	RMB billion	0.227	0.202	0.193
Number of volunteers	-	420	420	420
Number of charitable activities	-	3	4	3
Number of employee volunteers	-	990	640	507
Number of recipients of company charitable assistance	-	71	66	75

Environmental

Indicators	Unit	2023	2022	2021
Environmental Management				
Total investment in environmental protection	RMB 10,000	11,261.65	9,689.9	7,230.4
Major environmental violations	times	0	0	0
Total participants of environmental protection training	-	11,383	2,488	-
Waste Management				
Hazardous waste	tons	413.75	358.76	323.70
Hazardous waste intensity	tons/RMB million revenue	0.021	0.018	0.026
General waste	tons	36,619.49	34,773.85	22,739.89
General waste intensity	tons/RMB million revenue	1.857	1.788	1.804
Comprehensive utilization rate of general waste	%	82.39	73.23	69.67

Indicators	Unit	2023	2022	2021
Energy Consumption				
Total energy consumption	tce	192,677.35	167,541.56	150,181.06
Natural gas	10,000 m³	3,247.79	3,597.10	-
Purchased steam	tons	122,665.13	71,703	-
Purchased electricity	MWh	1,130,719.55	960,498.75	771,464.60
Water Consumption				
Total water consumption	10,000 tons	555.46	422.07	369.40
Water consumption intensity	10,000 tons/RMB million revenue	0.028	0.021	0.029
GHG Emissions				
Total GHG emissions	tons	845,075.78	755,416.72	627,615.24
Direct (Scope I) GHG emissions	tCO <sub>2</sub> e	70,981.59	78,437.81	85,154.31
Direct (Scope I) GHG emission intensity	tons/RMB million revenue	3.60	4.03	6.76
Indirect (Scope II) GHG emissions	tCO <sub>2</sub> e	774,094.19	676,978.90	542,460.93
Indirect (Scope II) GHG emission intensity	tons/RMB million revenue	39.25	34.79	43.03

# Index

## GRI Standards

GRI standard	Disclosure	Location
GRI 2: General Disclosures	2-1 Organizational details	About DMEGC
	2-2 Entities included in the organization's sustainability reporting	About This Report
	2-3 Reporting period, frequency and contact point	About This Report
	2-4 Restatements of information	/
	2-5 External assurance	Assurance Statement
	2-6 Activities, value chain and other business relationships	1.1 Corporate Profile
	2-7 Employees	6.1Protecting Employees' Rights
	2-8 Workers who are not employees	4.2 Supply Chain Management
	2-9 Governance structure and composition	2.2 Corporate Governance
	2-10 Nomination and selection of the highest governance body	2.2 Corporate Governance
	2-11 Chair of the highest governance body	2.2 Corporate Governance
	2-12 Role of the highest governance body in overseeing the management of impacts	2.2 Corporate Governance
	2-13 Delegation of responsibility for managing impacts	2.2 Corporate Governance
	2-14 Role of the highest governance body in sustainability reporting	2.2 Corporate Governance
	2-15 Conflicts of interest	2.4 Business Ethics and Anti-corruption
	2-16 Communication of critical concerns	2.1 ESG Management
	2-17 Collective knowledge of the highest governance body	2.2 Corporate Governance



GRI standard	Disclosure	Location
GRI 2: General Disclosures	2-18 Evaluation of the performance of the highest governance body	2.2 Corporate Governance
	2-19 Remuneration policies	6.1 Protecting Employees' Rights
	2-20 Process to determine remuneration	6.1 Protecting Employees' Rights
	2-21 Annual total compensation ratio	6.1 Protecting Employees' Rights
	2-22 Statement on sustainable development strategy	Board Statement
	2-23 Policy commitments	Each chapter of the Report
	2-24 Embedding policy commitments	/
	2-25 Processes to remediate negative impacts	2.2 Corporate Governance
	2-26 Mechanisms for seeking advice and raising concerns	2.1 ESG Management
	2-27 Compliance with laws and regulations	Each chapter of the Report
	2-28 Membership associations	5.1 Product Innovation
	2-29 Approach to stakeholder engagement	2.1 ESG Management
	2-30 Collective bargaining agreements	4.3 Responsible Procurement
GRI 3: Material Topics	3-1 Process to determine material topics	2.1 ESG Management
	3-2 List of material topics	2.1 ESG Management
	3-3 Management of material topics	2.1 ESG Management
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	1.3 ESG Key Figure
	201-2 Financial implications and other risks and opportunities due to climate change	/

GRI standard	Disclosure	Location
GRI 201: Economic Performance	201-3 Defined benefit plan obligations and other retirement plans	/
	201-4 Financial assistance received from government	/
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	/
	202-2 Proportion of senior management hired from the local community	/
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	/
	203-2 Significant indirect economic impacts	/
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	/
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	2.4 Business Ethics and Anti-corruption
	205-2 Communication and training about anti-corruption policies and procedures	2.4 Business Ethics and Anti-corruption
	205-3 Confirmed incidents of corruption and actions taken	2.4 Business Ethics and Anti-corruption
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, antitrust, and monopoly practices	2.4 Business Ethics and Anti-corruption
GRI 207: Tax	207-1 Approach to tax	/
	207-2 Tax governance, control, and risk management	/
	207-3 Stakeholder engagement and management of concerns related to tax	2.1 ESG Management
	207-4 Country-by-country reporting	/
GRI 301: Materials	301-1 Materials used by weight or volume	/
	301-2 Recycled input materials used	/
	301-3 Reclaimed products and their packaging materials	3.2 Addressing Climate Change

GRI standard	Disclosure	Location
GRI 302:Energy	302-1 Energy consumption within the organization	3.3 Resource Utilization
	302-2 Energy consumption outside of the organization	3.3 Resource Utilization
	302-3 Energy intensity	3.3 Resource Utilization
	302-4 Reduction of energy consumption	3.3 Resource Utilization
	302-5 Reductions in energy requirements of products and services	3.3 Resource Utilization
GRI 303:Water and Effluents	303-1 Interactions with water as a shared resource	3.3 Resource Utilization
	303-2 Management of water discharge-related impacts	3.3 Resource Utilization
	303-3 Water withdrawal	3.3 Resource Utilization
	303-4 Water discharge	3.3 Resource Utilization
	303-5 Water consumption	3.3 Resource Utilization
GRI 304:Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3.1 Environmental Management
	304-2 Significant impacts of activities, products and services on biodiversity	3.1 Environmental Management
	304-3 Habitats protected or restored	/
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	/
GRI 305:Emissions	305-1 Direct (Scope 1) GHG emissions	3.2 Addressing Climate Change
	305-2 Energy indirect (Scope 2) GHG emissions	3.2 Addressing Climate Change
	305-3 Other indirect (Scope 3) GHG emissions	/

GRI standard	Disclosure	Location
GRI 305:Emissions	305-4 GHG emissions intensity	3.2 Addressing Climate Change
	305-5 Reduction of GHG emissions	3.2 Addressing Climate Change
	305-6 Emissions of ozone-depleting substances (ODS)	/
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	3.4 Waste Management
GRI 306:Waste	306-1 Waste generation and significant waste-related impacts	3.4 Waste Management
	306-2 Management of significant waste-related impacts	3.4 Waste Management
	306-3 Waste generated	3.4 Waste Management
	306-4 Waste diverted from disposal	3.4 Waste Management
	306-5 Waste directed to disposal	3.4 Waste Management
GRI 308:Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	4.2 Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken	4.2 Supply Chain Management
GRI 401:Employment	401-1 New employee hires and employee turnover	6.1 Protecting Employees' Rights
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1 Protecting Employees' Rights
	401-3 Parental leave	6.1 Protecting Employees' Rights
GRI 402:Labor/Management Relations	402-1 Minimum notice periods regarding operational changes	/



GRI standard	Disclosure	Location
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	6.2 Safeguarding Employees' Health
	403-2 Hazard identification, risk assessment, and incident investigation	6.2 Safeguarding Employees' Health
	403-3 Occupational health services	6.2 Safeguarding Employees' Health
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.2 Safeguarding Employees' Health
	403-5 Worker training on occupational health and safety Promotion of worker health	6.2 Safeguarding Employees' Health
	403-6 Promotion of worker health	6.2 Safeguarding Employees' Health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.2 Safeguarding Employees' Health
	403-8 Workers covered by an occupational health and safety management system	6.2 Safeguarding Employees' Health
	403-9 Work-related injuries	6.2 Safeguarding Employees' Health
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GRI 404: Training and Education	404-1 Average hours of training per year per employee	6.3 Empowering Employee Development
	404-2 Programs for upgrading employee skills and transition assistance programs	6.3 Empowering Employee Development
	404-3 Percentage of employees receiving regular performance and career development reviews	6.3 Empowering Employee Development
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	2.2 Corporate Governance 6.1 Protecting Employees' Rights
	405-2 Ratio of basic salary and remuneration of women to men	6.1 Protecting Employees' Rights
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	6.1 Protecting Employees' Rights

GRI standard	Disclosure	Location
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.2 Supply Chain Management
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	4.2 Supply Chain Management
GRI 409: Forced or Compulsory labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.2 Supply Chain Management
GRI 410: Security Practices	410-1 Security personnel trained in human rights policies or procedures	/
GRI 411: Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples	/
GRI 413: Local Community	413-1 Operations with local community engagement, impact assessments, and development program	6.5 Prospering with the Community
	413-2 Operations with significant actual and potential negative impacts on local communities	/
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	4.2 Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	/
GRI 415: Public Policy	415-1 Political contributions	/
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	5.3 Product Quality and Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	5.3 Product Quality and Safety
GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	5.3 Product Quality and Safety
	417-2 Incidents of non-compliance concerning product and service information and labeling	5.3 Product Quality and Safety
	417-3 Incidents of non-compliance concerning marketing communications	/
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	5.5 Optimizing Customer Services

# References

For better readability, Hengdian Group DMEGC Magnetics Co., Ltd. in this Report is referred to as "DMEGC", "the Company" or "we".

Co., Ltd		Full name of the company
Jiangsu DMEGC	»» refers to the »»	Company's subsidiary "Jiangsu DMEGC New Energy Technology Co., Ltd."
Sichuan DMEGC	»» refers to the »»	Company's subsidiary "Sichuan DMEGC New Energy Technology Co., Ltd."
Lianyungang DMEGC	»» refers to the »»	Company's subsidiary "Lianyungang DMEGC New Energy Technology Co., Ltd."
Chengji Electronics	»» refers to the »»	Company's subsidiary "Zhejiang Dongyang DMEGC Chengji Electronics Co., Ltd."
Jinchuan Electronics	»» refers to the »»	Company's subsidiary "Yibin Jinchuan Electronics Co., Ltd."
Qixian DMEGC	»» refers to the »»	Company's subsidiary "Qixian DMEGC New Energy Co., Ltd."

# Assurance Statement

TÜVNORD

Verification Statement Number: CN-202403-CSR-01

## Verification Statement of ESG Report

TÜV NORD (Hangzhou) Co., Ltd. (hereinafter referred to as 'TNHZ') has been commissioned by the management of Hengdian Group DMEGC Magnetics Co., Ltd. (hereinafter referred to as "DMEGC") to carry out an independent third-party verification of DMEGC's 2023 Environmental, Social and Governance (ESG) Report (hereinafter referred to as 'Report').

DMEGC is responsible for the collection, analysis, aggregation and presentation of information within the Report. TNHZ carries out this work (verification of the report) within the terms of reference agreed in the agreement with DMEGC. DMEGC is the designated user of this statement.

This statement is based on the 2023 Environmental, Social and Governance (ESG) Report prepared by DMEGC. DMEGC is responsible for the integrity and authenticity of the information and data in the report.

### Verification Scope

- ✧ The Report discloses key environmental, social and governance performance and related information that happened in 2023.
- ✧ We evaluated the management process of collection, analysis, inspection of the information and data.
- ✧ Due to the economic data had been audited by the third party, we did not do double audit this time.

The verification was done on 02-03.03.2024.

### Verification Methodology

- The verification process includes the following activities:
- ✧ Review the document information which is provided by DMEGC.
  - ✧ Interview the person who collected the report information.
  - ✧ View the related websites and media reports, verify the data and information through sampling method.
  - ✧ Refer to GRI Sustainability Reporting Standards (GRI Standards) for reporting on accuracy, balance, clarity, comparability, completeness, timeliness and verifiability.
  - ✧ Refer to AA1000 Assurance Standard (V3).
  - ✧ Verification activity is based on TNHZ Rules for the Implementation of Report Verification.

### Verification Conclusion

- The 2023 Environmental, Social and Governance (ESG) Report prepared by Hengdian Group DMEGC Magnetics Co., Ltd. comprehensively disclosed the actions and performance of DMEGC in fulfilling its environmental, social and governance in 2023. The data in the Report is reliable and objective and TNHZ found no systemic or substantial errors.
- ✧ Accuracy: Reporting content is accurate and enables the public disclosure of qualitative and quantitative information on a wide range of performance to stakeholders.
  - ✧ Balance: The company's disclosure of sustainability issues is realistic and based on the expectations of its stakeholders.
  - ✧ Clarity: The report adopts various expressions such as text description, data tables, graphs and pictures, and displays cases to make it easy for stakeholders to understand.
  - ✧ Comparability: The report discloses the relevant performance indicators for the year 2023, as well as historical data for the last two years, so that stakeholders can visually compare and understand the company's sustainability performance.
  - ✧ Completeness: The report disclosures generally cover the substantive issues identified, reflect significant economic, environmental, social and governance impacts, and enable stakeholders to assess the company's



# Feedback

Dear Sir/Madam

Thank you for reading the Environmental, Social and Governance (ESG) Report in 2023 of Hengdian Group DMEGC Magnetics Co., Ltd. To provide more valuable information, facilitate your monitoring of our ESG work and improve our ESG management, we sincerely invite you to build a better society together by providing feed-backs to us. You are welcome to share opinions and suggestions via mail, email or phone.

Thank you again!

Report Evaluation Form	5分	4分	3分	2分	1分
What do you think of the structure of this Report?					
What do you think of the performance indicators disclosed in the Report?					
Do you have a clear understanding of DMEGC's ESG philosophy and practice through the Report?					
Does the structure and design of the report facilitate your Reading?					
Your overall rating of the Report?					

Your opinions and suggestions on the Environmental, Social and Governance (ESG) Report in 2023 of Hengdian Group DMEGC Magnetics Co., Ltd. :

Your opinions and suggestions on DMEGC' s sustainable development:

TUVNORD

Verification Statement Number: CN-202403-CSR-01

- performance during the reporting period.
- Timeliness: The company regularly discloses its sustainable development performance every year, and this report discloses its sustainable development performance in 2023 with good timeliness.
  - Verifiability: The data and information in the report can be traced and verified.

Recommendation for Improvement

- Through verification and evaluation, we have following improvement suggestions on ESG practice and management:
- Further disclosure of GHG scope 3 emissions data and information to identify GHG mitigation opportunities in the value chain.
  - Increase the collection and disclosure of relevant performance or case studies of overseas molecular companies, thereby improving the overall balance of reporting.

Special Statement

- This statement excludes:
- The activity outside information reveal.
  - The position, ideas, beliefs, goals, future development direction and commitment stated by DMEGC.

Statement of Independence and Competence

TÜV NORD is the world's leading Certification Body in inspection, testing and verification, operating in more than 100 countries throughout the world and providing services which includes management systems and product certification; quality, environmental, occupational health and safety, social responsibility auditing and training; environmental, social responsibility and sustainability report verification.

TÜV NORD (Hangzhou) Co., Ltd. is an independent organization registered and established by TÜV NORD in China and ensures that there are no conflicts of interest with DMEGC or its branches and stakeholders during the implementation of the verification process of this report. All information in this report was provided by DMEGC, and TNHZ was not involved in the report preparation process.

TÜV NORD (Hangzhou) Co., Ltd.

Judy Zhu

The team leader: ZHU Judy  
Date: 06.03.2024

SONG Haining

The authorized person: SONG Haining  
Date: 06.03.2024

Note: In case of conflict between the Chinese and English versions of this statement, please refer to the Chinese version.

Name: \_\_\_\_\_

Organization Name: \_\_\_\_\_

Tel: \_\_\_\_\_

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Hengdian Group DMEGC Magnetics Co., Ltd

2023 Environmental, Social and Governance (ESG) Report