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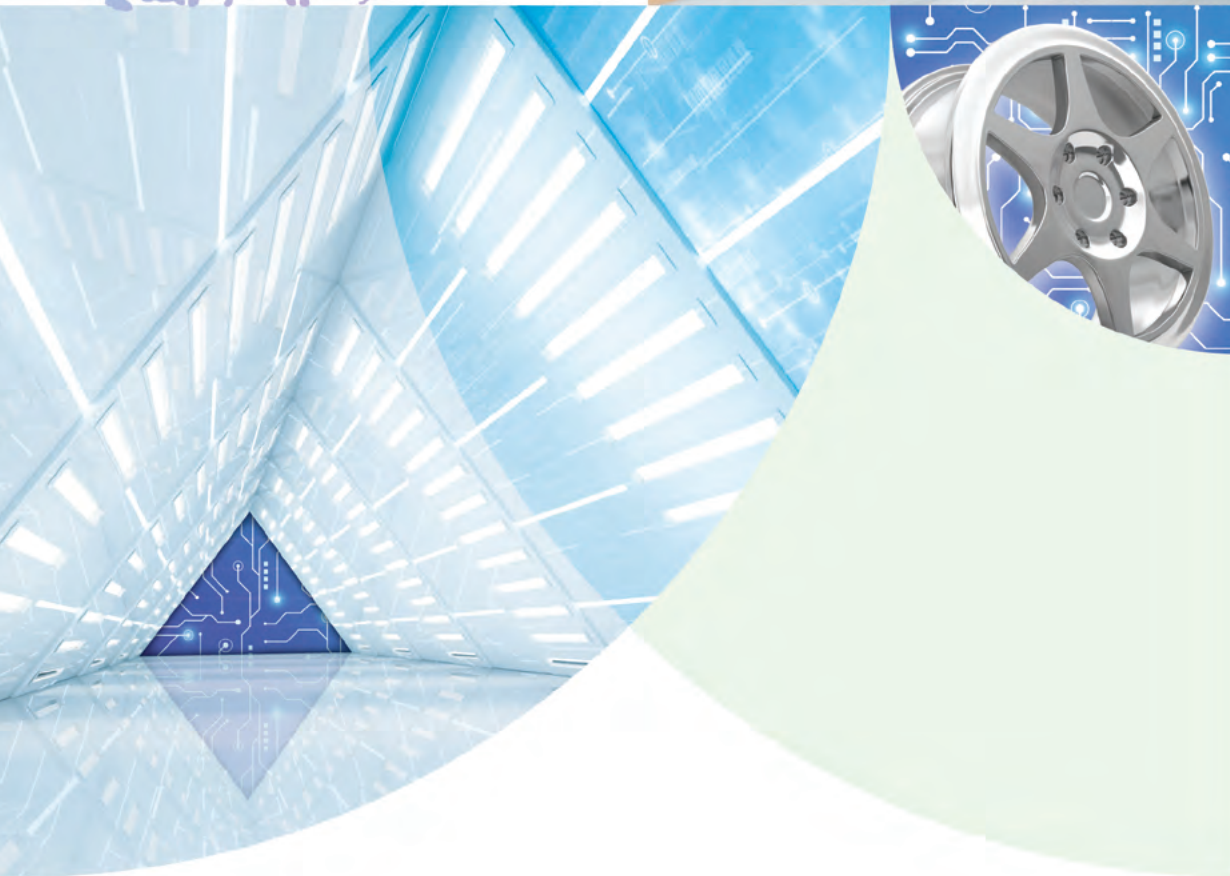
稀镁科技集團控股有限公司

Rare Earth Magnesium Technology Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00601.HK)

Making our **LIFE** better



2020

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT



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INTRODUCTION

Rare Earth Magnesium Technology Group Holdings Limited and together with its subsidiaries (“REMT” or “the Group”), is principally engaged in the business of producing and selling magnesium products.

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as specified in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report identifies and discloses material environmental and social impacts as well as environmental, social and governance (“Environmental, Social and Governance”) matters in relation to the Group’s business for the year ended 31 December 2020 (“the Reporting Period”).

In preparing the report, the Group has discussed with its business partners, employees and other stakeholders in various circumstances with a view to consider and reflect their responses and opinions.

The aspects presented below are an elaboration of the operating practices in the main environmental, social, and governance subject areas.

A. ENVIRONMENTAL

A1: Emissions

The Group’s production bases are located at the Hami Industrial Park in Xinjiang Region and the Baishan Industrial Park in Jilin Province. The Group has a series of environment management policies in place in an endeavor to minimise its impact on the surrounding communities’ environment of production bases.

During the Reporting Period, the Group has complied with all the related local environmental laws in the country we operate. The emission of particulates and sulfur dioxide (SO₂) are lower than the national standard of 150 mg/m³ and 400 mg/m³ respectively. During the Reporting Period, no material instances of non-compliance concerning environment are identified within the Group.

The Group has implemented a series of measures to reduce the gas emission:

- 1) In an effort to reduce gas emission, rotary kilns are equipped with vertical preheaters to make full use of residual heat, reducing the temperature of emitted smoke and gas to below 200 degrees celsius. The vertical cooler is used to cool down the temperate of calcined dolomite, supplying hot air for the rotary kiln to increase combustion efficiencies and reduce energy consumption.

- 2) Regenerative combustion technology is adopted in refining furnaces and reduction furnaces. Heat accumulators are used for recovering and storing the heat from the exhaust gas of reduction furnaces, which induce explosive combustion of coal gas in furnaces to achieve energy saving and emission reduction.
- 3) Utilising recirculating water through reduction furnace for heating in winter and staffs' showering.
- 4) Reduced-voltage starting and variable frequency operation are adopted for certain motors.
- 5) Enhancing the promotion, education and training about energy conservation.

The energy consumption of fuels, and the emission of waste gases and greenhouse gases are reduced while staffs' energy-saving awareness is increased as a result of the adoption of the aforementioned energy-saving and emission reduction measures.

Types of pollutants

During the production process, the hazardous waste generated by the Group mainly is the waste engine oil. The non-hazardous waste mainly includes solid wastes, recycled dusts and domestic wastes. The treatments of hazardous and non-hazardous wastes in 2020 are as follow:

Types of hazardous waste	Emission: tonnes	Treatment
 Waste engine oil	16.0	Sales to the enterprises in nearby areas for integrated utilisation

Types of non-hazardous waste	Emission: tonnes	Treatment
 Solid waste	30,321.0	Sales to the enterprises in nearby areas for integrated utilisation
 Recycled dust	339.8	Sales to the enterprises in nearby areas for integrated utilisation
 Domestic waste	173.0	Centralised treatment by the environmental hygiene department on a regular basis

Treatment of hazardous and non-hazardous wastes, emission reduction measures, and achievements

The Group disposes hazardous and non-hazardous wastes in strict accordance with the “Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (2020 Revision)”. Wastes are temporarily stacked in designated places, sold to enterprises in nearby areas, or appropriately recycled by qualified organisations.





Apart from the above waste treatment measures, the Group is also equipped with the advanced equipment to reduce the generation of hazardous wastes. In addition, we procure high-quality coal for clean production in order to minimise hazardous and non-hazardous wastes.


During the Reporting Period, no material instances of non-compliance concerning the treatment of emissions are identified within the Group.

A2: Use of Resources

The operation and production of the Group mainly consume resources such as electricity, diesel oil, coal and water. During the production process, the Group endeavors to enhance the energy use efficiency and achieve comprehensive utilisation, while gradually reducing energy consumption.

The energy and the packaging materials consumed by the Group in 2020 are as follow:

Resources	Unit	Emission	Density (calculated based on the production of 39,641 tonnes magnesium products in 2020)
 Electricity	kWh	55,320,585	1,395.5 kWh/tonne
 Diesel oil	liter	831	0.021 liters/tonne
 Coal	tonne	106,352	2.7 tonnes/tonne
 Water	m ³	129,095	3.3 m ³ /tonne

Packaging materials used on finished products	Unit	Emission
 Wrap	tonne	15

Energy use efficiency initiatives and achievements

1. The coal gastification is used by the Group to eliminate outdated equipment, in a bid to generate clean energy for production. With the application of regenerative high-temperature combustion technologies, the exhaust gas temperature is significantly reduced and the overall thermal efficiency is increased by over 50%, thereby mitigating the air pollution.
2. The water consumption within the plants is mainly due to the water replenishment of the recirculating cooling system for the equipment and the domestic water consumption by our staffs. Recirculating cooling water, mainly being the equipment cooling water, is pumped into production water supply pipeline for reuse after cooling in a cooling tower. The domestic water consumption (mainly including washing water, flushing water for offices, and recirculating cooling water within the plants) is recycled and not discharged. The domestic wastewater is regularly collected by the environmental hygiene department for centralised treatment at sewage treatment plants.

During the Reporting Period, no material instances of non-compliance concerning the use of resources are identified within the Group.

A3: The Environment and Natural Resources

The Group places great emphasis on the impact of our business on the environment and natural resources. In addition to the appropriate initiatives taken in protecting the natural environment in conformity with the environment related regulations and standards, the Group also integrates the environmental protection into the internal management and execution.

Actions taken in relation to environment and natural resources:

1. In respect to energy use, the efficiency is maximised. The vertical preheat system is used in the production process to enhance the utilisation of fuels and reduce the electricity consumption by making full use of the preheating.
2. In respect to resources, measures for emission reduction and utilisation improvement are rolled out to avoid a waste of resources.
3. In respect to resources such as the solid waste, the waste is recycled and reprocessed as resources or products to reduce the emission.

The Group has strictly complied with the PRC's laws and regulations in the aspect of energy consumption, and implemented the internal policies. During the Reporting Period, the Group has no material instances of non-compliances in this regard.

B. SOCIAL

B1: Employment

In line with the gradual development of the Group's business, human resources management and the recruitment of talent are of particular importance to the Group. The Group regularly analyses the existing remuneration system and incentive mechanism to optimise the remuneration structure and ensure employees' remuneration packages are on par with reasonable market rates and stay competitive. Meanwhile, the Group has been expanding recruitment channels, continuously enriching the pool of senior management candidates, stepping up systematic trainings for employees, providing employees with promotion opportunities, broadening their career prospects, and encouraging the good corporate culture.

Corporate human resources policy: the Group determines employees' remuneration packages based on the employees' performance, work experience and labour skills with reference to prevailing market conditions. The labour insurance and welfare for employees include annual leaves, the payment of workers' compensation, social insurance, provident funds, the distribution of labour protection supplies, refund of social security contributions, training subsidies, compensation for working under high temperature, and pre-employment health checkups. There are neither labour disputes that affect normal business operations nor material changes in employees' relationships within the Group.

Non-discriminatory and equal opportunities: the Group values employees' entitlement to equal employment opportunities and adheres to gender equality and ethnic equality in the employees' recruitment.

Trade Union: according to the regulations of Federations of Trade Unions for both All-China and the Xinjiang Region levels, corporates are required to set up trade unions and maintain the independence of trade unions.

The Group strictly complies with the "Labour Law of the People's Republic of China (Labour Law)", the "Labour Contract Law of the People's Republic of China (Labour Contract Law)", and other relevant regulations. During the Reporting Period, no material instances of non-compliance concerning the labour practices are identified within the Group.

B2: Health and Safety

The Group abides by relevant laws and regulations, such as the "Labour Law", the "Labour Contract Law", the "Social Insurance Law of the People's Republic of China", and the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases". The Group is committed to formulating and implementing corporate's internal health and safety policies, continuously enhancing and endeavoring to improve employees' working conditions and living environment, and safeguarding employees' life and physical health. The wireless Internet and cable television have been installed at employees' work places and dormitory rooms to ensure that employees' work and living conditions are in compliance with the regulations concerning environmental safety, and the prevention and control of occupational disorders.

Under COVID-19 epidemic, the Group publicises the preventive actions of COVID-19 epidemic through multiple channels, and educates employees to strengthen their awareness of preventive measures. The Group promotes the online-office mode, where staffs use phone calls and WeChat to carry out works. According to the requirements of the local governments where the production bases are located, the Group has reduced the number of people walking across regions and visitors. Employees wear masks at all times during production and keep a safe social distance when eating and living. The Group has actively cooperated with relevant departments to organise regular COVID-19 testing and make sure employees are fully vaccinated, so as to minimise the risk of virus transmission and ensure the health and safety of employees.

During the Reporting Period, no material instances of non-compliance concerning health and safety laws and regulations are identified within the Group.

B3: Development and Training

The Group believes that providing trainings to personnel is a very important task for the long-term corporate development. The Group regularly gives employees on-the-job trainings, provides trainings to employees at different positions and different job duties according to their relevant knowledge and skills. It constantly enhances the quality of employees, and assures that employees' professional skills, techniques, and knowledge are kept up-to-date. Relevant trainings are arranged on a regular basis in compliance with the requirements of the "Safety Education and Training Management System" for corporates engaged in production. The training scheme encompasses:

1. Corporate development strategy planning and relevant corporate management system;
2. Basic knowledge of production techniques and procedures;
3. Procedures of, and professional skills for technical operations at work;
4. Safe production laws and regulations and contingency plans for safety-related accidents;
5. Occupational hazards and prevention;
6. Fire safety knowledge and contingency plan mock exercises;
7. On-the-job trainings for special operating personnel; and
8. Trainings and tests regarding the practical implementation of employees' skills.

The employee training scheme has effectively improved employees' professional skills, which in turn give stronger support to the Group's long-term business development.

B4: Labour Standards

The Group strictly abides by the laws and regulations of the PRC government, including the "Labour Law" and the "Labour Contract Law". Employees at production bases are recruited of their own accord, the staff induction process is carried out in line with corporate systems and procedures where no child labour is employed; the ages of all employees satisfy the requirements of local laws; and the phenomenon of forced labours does not exist.

In addition, the Group imposes stringent labour audit requirements on its major suppliers. It guarantees that no child labours or forced labours are employed by suppliers. It also ensures that the occupational health and safety performance of our suppliers comply with the relevant regulations.

During the Reporting Period, no material instances of non-compliance concerning the labour standards stipulated by relevant laws and regulations are identified within the Group.

B5: Supply Chain Management

Raw materials for magnesium and magnesium alloys production at production bases are mainly procured from external sources. The Group has developed corresponding inspection, assessment and selection procedures for suppliers of raw materials. Upon receipt of bids from suppliers of raw materials, the comprehensive analysis is performed by the Group with respect to product brands, quality, payment, schedule of delivery, reputation, and after-sales service, to determine the most appropriate product suppliers and ensure premium-quality products at competitive prices are sourced following a thorough comparison of individual suppliers, consolidation of scores allocated to each attribute, and an elimination and selection process.

B6: Product Responsibility

Confronted with the competition on the magnesium market, the Group believes that in an effort to sustain a certain level of competitiveness, the product quality and after-sales services play important roles in fortifying client relationships. The Certificate of ISO9001:2008 Quality Management System was awarded to the Group's production bases. Premium products and after-sales services are provided by the Group's customer service team.

During the Reporting Period, no material instances of non-compliance involving relevant product responsibility or product description regulations are identified within the Group.

B7: Anti-Corruption

The Group has developed internal anti-corruption ordinances and attaches importance to employees' personal integrity, preventing employees' misconducts in terms of corruption. The Group strictly abides by the "Interim Provisions on Prohibiting Commercial Bribery"《關於禁止商業賄賂行為的暫行規定》, and advocates the code of honesty and integrity whereas employees are obligated to follow relevant guidance when performing all job duties within the Group and with external collaborative business partners. Meanwhile, the "Code of Professional Conduct with Honesty and Integrity for Xinjiang Tengxiang Magnesium Products Co. Ltd."《新疆騰翔鎂製品有限公司廉潔從業行為準則》was formulated to educate management personnel and employees holding important positions on professional practices with honesty and integrity. An "Honesty, Integrity and Self-discipline Assurance Statement"《廉潔自律承諾書》was also signed by them.

During the Reporting Period, no material instances of non-compliance concerning corruption are identified within the Group.

B8: Community Investment

The Group believes that establishing good relationships with communities where the production bases are located, is a critical factor for successful corporate operations. The Group is keen to provide necessary support to the locale in which its production bases are located, including giving aids to disadvantaged groups, giving priority to hiring local job applicants, and participating in volunteer work. The base companies give active supports to public welfare undertakings in surrounding communities such as participating in local governments and residents' culture exchange, and co-organising arts and culture performances with the local governments in an endeavor to enrich employees' cultural life.

Integration of enterprises and localities boosts development

As a scaled enterprise amid the circular economy chain in Hami High-Tech Industrial Development Zone, Xinjiang Tengxiang Magnesium Products Co. Ltd ("Tengxiang Company") has been the focus of the local government since its establishment. The enterprise has increased household incomes of local staffs by employing local surplus labours. Meanwhile, migrant workers are able to handle domestic farming when they are off-duty, thus achieving a win-win situation. On the other hand, under the active support of the local government, the labour resource is guaranteed.



In the past few years, Xinjiang staffs accounted for 52% of the total staffs of the Tengxiang Company. On the one hand, Tengxiang Company has won critical acclaim from the local government for its construction and development. On the other hand, it has enjoyed preferential policies of Xinjiang Autonomous Region, such as the refund of social insurance and subsidies for retaining employees.

OUTLOOK

The Group continues its innovation efforts, and has increased its investments in research and development. It also optimises the production procedures and operation regulations. We will consolidate our resources and pay attention to the development of magnesium alloy business, striving to become China's largest leading magnesium product enterprise and building the premier magnesium technology industrial platform. Against the backdrop of "Green Economy", magnesium new materials will have greater development potential amid the light-weight trend in automobile productions. The Group will also strive to contribute to the energy saving and light-weight development. We believe that in the post-epidemic era, magnesium products will continue to show its charm and further establish solid confidence amongst consumers. It is foreseen that the magnesium industry is launching a new era with good prospects for development!



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稀镁科技集團控股有限公司
Rare Earth Magnesium Technology Group Holdings Limited