



稀镁科技
REMT

稀镁科技集團控股有限公司

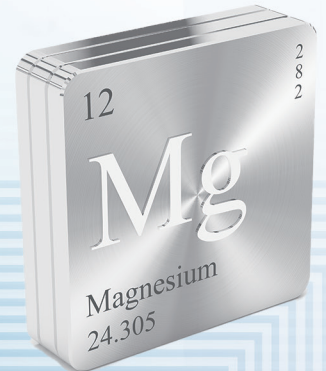
Rare Earth Magnesium Technology Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00601.HK)

2023

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



Making our **LIFE** better



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REPORTING SCOPE

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. Magnesium alloys have been known as the “most developed and widely used lightweight eco-friendly strategic new materials of the 21st century”, contributing to the green and low-carbon high-quality development. Since there is no actual business in its Hong Kong and overseas subsidiaries, the scope of the environmental aspect of this report only covers the main business of the Group in Mainland China.

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 (“ESG”) matters in relation to the Group’s business for the year ended 31 December 2023 (“the Reporting Period”).

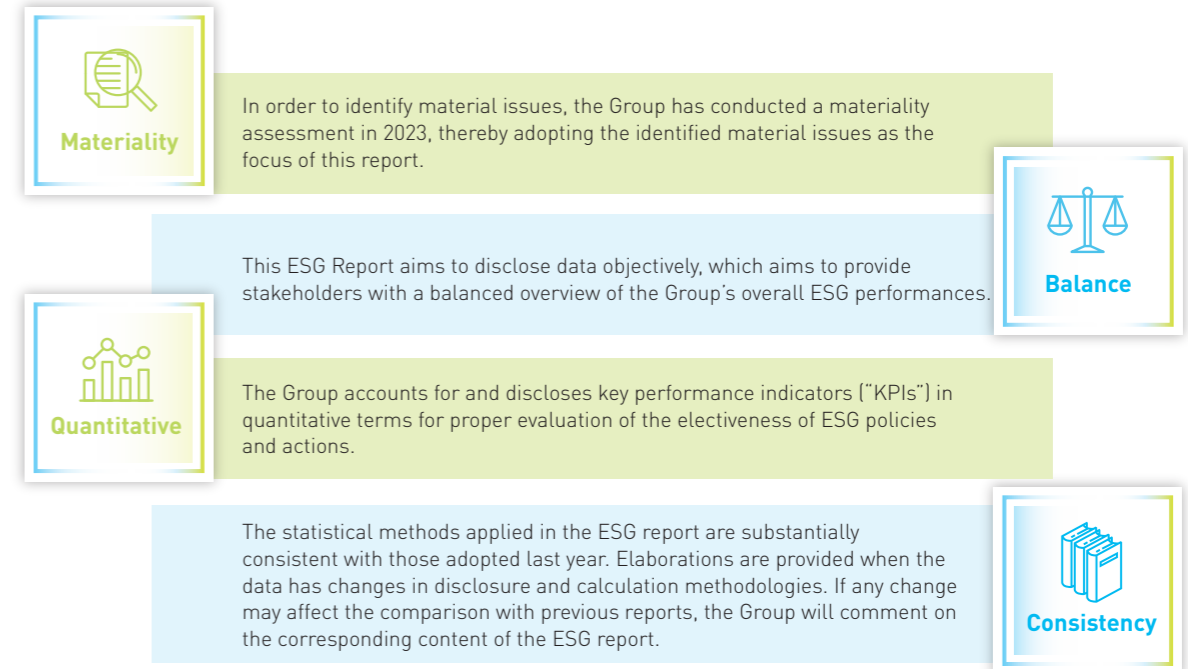
BOARD STATEMENT

The Board is responsible for the ESG as a whole, and is committed to achieving key performance indicators. The Board believes that ESG risks are crucial to the efficient operation of the Group, and aims to integrate environmental and social aspects into its daily operations. The Group’s corporate governance is fundamental to ensure that the ESG topics of the Group are well considered and incorporated into the business agenda. It is of paramount importance to us to continuously create value for our stakeholders. The Board carefully assesses ESG risks to consider and reflect on their relative progress toward ESG objectives. The Board confirms that it has reviewed and approved this report.

In preparing this report, the relevant staffs of the Group have collected all relevant information on various ESG aspects, and checked and evaluated the performance of the Group, including environmental, health and safety, labour practices, and other ESG aspects. The Group has maintained talks with certain stakeholders under various circumstances to collect comments regularly, including but not limited to meetings, interviews, surveys, feedback plans, letters, and other methods.

REPORTING PRINCIPLES

The Group attaches great importance to the reporting principles of materiality, balance, quantitative, and consistency when preparing this report:



The aspects presented below elaborate on the operating practices in the main ESG subject areas.

A. ENVIRONMENTAL

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 environmental management policies in place to minimise its impact on the surrounding communities' environment of production bases. The Group aims to maintain or reduce emissions from the production process given the similar operational level across years by implementing energy-saving measures and improving energy efficiency.

A1: Emissions

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



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





- 1) To reduce gas emissions, 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 temperature 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 furnaces for heating in winter.
- 4) Reduced voltage starting and variable frequency operations are adopted for certain motors.
- 5) Enhancing the promotion, education, and training about energy conservation for workers.

The energy consumption of fuels, and the emission of waste gases and greenhouse gases are reduced. At the same time, staff's energy-saving awareness is enhanced due to the adoption of energy-saving and emission-reduction measures as mentioned above.

Types of pollutants

During the production process, the hazardous wastes generated by the Group are mainly waste engine oil and tar. The non-hazardous wastes mainly include solid wastes, recycled dust, domestic wastes, and mud. The treatments of hazardous and non-hazardous wastes in 2023 are as follows:

Types of hazardous waste	Emission: tonnes	Treatment
 Waste engine oil	3.4	Sales to qualified enterprises for integrated utilisation
 Tar	47.6	Sales to qualified enterprises for integrated utilisation

Types of non-hazardous waste	Emission: tonnes	Treatment
 Solid waste	55,147	Sales to enterprises in nearby areas for integrated utilisation
 Recycled dust	7	Sales to enterprises in nearby areas for integrated utilisation
 Domestic waste	180	Centralised treatment by the environmental hygiene department regularly
 Mud	45	Centralised treatment by the environmental hygiene department regularly

Treatment and management of hazardous and non-hazardous wastes

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

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





The Group targets to maintain or reduce waste given the similar operational level across years by implementing various recycling policies and strengthening employee education, while reducing waste from the production process.


During the Reporting Period, no material instances of non-compliance concerning the treatment of emissions were 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 endeavours to enhance energy use efficiency and achieve the comprehensive utilisation, while gradually reducing energy consumption.

The energy and the packaging materials consumed by the Group in 2023 were as follows:

Resources	Unit	Emission	Density (calculated based on the production of 10,534 tonnes of magnesium products in 2023)
 Electricity	kWh	28,835,064	2,737 kWh/tonne
 Diesel oil	liter	229	0.02 liter/tonne
 Coal	tonne	45,170	4.29 tonnes/tonne
 Water	m ³	117,796	11.18 m ³ /tonne

Packaging materials used on finished products	Unit	Emission
 Wrap	tonne	4

Energy use/water efficiency targets and management

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

The Group is committed to enhancing energy use efficiency and recycling resources. The Group aims to maintain stable energy efficiency or, even better, to improve it, given the similar operational level across years. In addition, the Group maintains stable or lower water consumption of the main business given the similar operational level across years by implementing various water conservation measures and regular inspection of the water supply system.

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

A3: The Environment and Natural Resources

The Group greatly emphasised our business's impact on the environment and natural resources. In addition to the appropriate initiatives taken to protect the natural environment in conformity with environment related regulations and standards, the Group also integrates environmental protection into the internal management and execution.

Actions taken concerning the environment and natural resources:

1. Regarding energy use, the efficiency is maximised. The vertical preheat system is used in the production process to enhance the utilisation of fuels and reduce electricity consumption by making full use of the preheating.
2. Regarding resources, measures for emission reduction and utilisation improvement are rolled out to avoid a waste of resources.
3. Regarding resources such as 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 about energy consumption, and implemented its internal policies. During the Reporting Period, the Group had no material instances of non-compliances in this regard.

A4: Climate Change

Climate change has become one of the top concerns for people, and a global challenge affecting communities and businesses as a whole. The acute physical risk can arise from extreme weather conditions such as hurricanes, floods, and storms. Chronic physical risk can arise from sustained high temperatures. In addition, the transition risk may result from changes in environment-related regulations or customer preferences. The Group assesses the above-mentioned potential risks that may cause main business interruption, and formulates corresponding prevention measures.

The Group's procedures for identifying, assessing, and managing significant risks, including significant climate-related matters, are summarised below:



The Group believes that climate change has no significant direct impact on its main business. As mentioned above, the Group is committed to promoting environmental protection and rational use of resources in its business operations to respond to global climate change. In the future, we will continue to identify business operations that may impact on the environment, and formulate corresponding improvement measures to prevent the further possible negative impact of our operations on climate change.

B. SOCIAL

B1: Employment

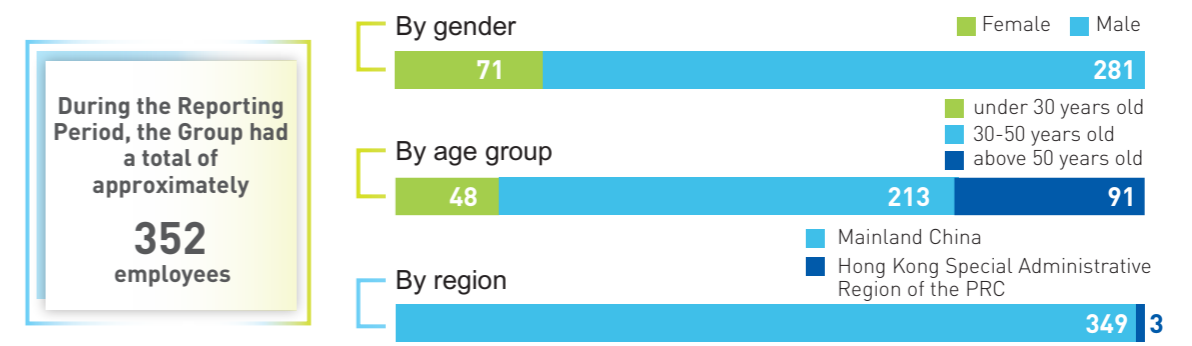
The Group fully recognises the importance of human resources management and the recruitment of talent for the sustained development of the Group. The Group regularly analyses the existing remuneration system and incentive mechanism to optimise the remuneration structure. It ensures employees' remuneration packages are on par with reasonable market rates and stays competitive. Meanwhile, the Group has been expanding recruitment channels, continuously enriching the pool of management team, stepping up systematic employee training, providing employees with promotion opportunities, broadening their career prospects, and encouraging a good corporate culture.

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

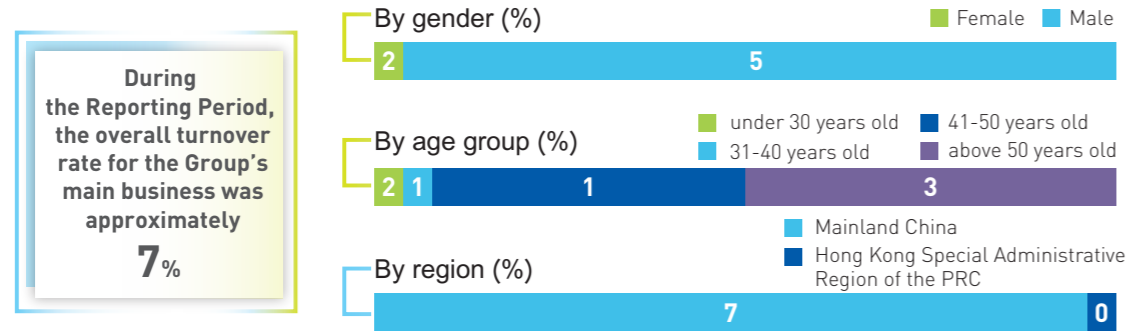
Non-discriminatory and equal opportunities: the Group values employees' entitlement to equal employment opportunities, and adheres to gender equality and ethnic equality in employee recruitment.

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

Distribution of employees



Employee turnover



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 were 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 the corporate’s internal health and safety policies, continuously enhancing and improving employees’ working conditions and living environment, and safeguarding employees’ life and physical health. The Group has installed wireless Internet and cable television at employees’ workplaces and dormitory rooms, and contributed to the social insurance (including primary medical, work-related injury, maternity insurance, and others) for each employee. It ensures that employees’ work and living conditions comply with the regulations concerning environmental safety, and the prevention and control of occupational disorders.

After experiencing the COVID-19 pandemic, the Group has further improved the management of workplace hygiene and environment. We have promoted health management and hygiene protection knowledge through various channels, provided training, and strengthened preventive measures for our employees. We have also enhanced their awareness of hygiene.

The Group had no work-related fatalities in the past three financial years. During the Reporting Period, there were no work-related incidents that affected the normal production of the Company. No material instances of non-compliance concerning health and safety laws and regulations were identified.

B3: Development and Training

The Group believes that training personnel is an essential task for long-term corporate development. The Group regularly gives employees on-the-job training, and provides training to employees at different positions and job duties according to their relevant knowledge and skills. It constantly enhances employees’ quality, ensuring that employees’ professional skills, techniques, and knowledge are kept up-to-date. Relevant training is arranged regularly in compliance with the “Safety Education and Training Management System” requirements for corporates engaged in production. The training scheme encompasses the following:

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 training for special operating personnel; and
8. Training and tests regarding the practical implementation of employees’ skills.

The number of employees receiving training and the training hours:

	Managers and senior management	General employees
 The number of staff receiving training	9 people	335 people
 The total training hours	54 hours	11,302 hours
 The average training hours per person	6 hours	34 hours

The number of staff receiving training exceeded	97% of all employees
Among trainees, female employees comprised	69%
The average training hours per person is at a similar level between female and male employees, exceeding	30 hours

The employee training scheme has effectively improved employees' professional skills, which in turn significantly supports the Group's long-term business development. The Group has consistently implemented a transparent assessment and promotion system to encourage employees' self-development. The Group's senior management and department managers maintain effective communication with employees, and promptly provide feedback and suggestions on employees' work performance.

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". When the human resources department conducts recruitment work, it shall strictly verify the applicant's personal identity and perform background checks well to avoid child labour. 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. The phenomenon of forced labour does not exist. Suppose any illegal employment of child labour or forced labour is discovered. In that case, the Group will immediately terminate the employment contract, identify the cause and pursue responsibility, and impose appropriate penalties on the employee and related person in violation.

In addition, the Group imposes stringent labour audit requirements on its major suppliers. It guarantees that suppliers employ no child labours or forced labours. It also ensures that our suppliers' occupational health and safety performances 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 were identified within the Group.

B5: Supply Chain Management

The Group procures raw materials from the market to produce magnesium metal and magnesium alloys. The Group has developed corresponding inspection, assessment, and selection procedures for raw materials suppliers. Upon receipt of bids from raw materials suppliers, the Group comprehensively assesses the aspects of the brand, quality, payment, schedule of delivery, reputation, and after-sales service, and seriously considers their energy and environmental policy to maximise environmental protection and minimise pollution. The most appropriate product supplier is determined based on a comprehensive score and ranking assessment by comparing individual suppliers. It ensures that premium-quality raw materials can be sourced at competitive prices, and the values of the selected supplier on environment, community, and ethics are embraceable. All of the Group's suppliers are located in mainland China. There are about 40 major suppliers. During the Reporting Period, no material instances of non-compliance concerning the supply chain management identified.

B6: Product Responsibility

Quality assurance

Confronted with the competition in the magnesium market, the Group believes that to sustain a certain level of competitiveness, product quality and after-sales services quality play essential roles in fortifying client relationships. The Certificate of ISO9001:2008 Quality Management System was awarded to the Group's production bases. The Group's customer service team provides premium products and after-sales services by maintaining close communication with customers and regular follow-ups, including telephone, WeChat, video conferencing, and on-site visits. The sales staff will immediately deal with a customer complaint or an incident requiring product recall. However, the specific or complex situation will be transferred to the person in charge of the relevant department for concrete handling. During the Reporting Period, the Group had neither material non-compliance with relevant regulations concerning product responsibility or product description, experience with the recall of products for safety and health reasons, nor customer complaints regarding products and services.

Commercial morality

The Group attaches great importance to the protection and management of intellectual property rights. It strictly abides by laws and regulations, including the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》). We will engage legal counsel to take necessary actions against the third party (i.e., issuing a lawyer's letter or filing a lawsuit, or others.) if there is any infringement on the intellectual property rights of the Group, including but not limited to trademarks, patents, and others.

The trust of our customers is the cornerstone of our business development. Protecting customer information and trade secrets is the foundation for us to establish credibility and trust. Except in certain circumstances stipulated in the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (required to disclose by statutory obligations), the Group will not disclose customer information and trade secrets to third parties without the consent of the customer. During the Reporting Period, the Group did not observe any case involving the disclosure of customer privacy information or violation of relevant privacy protection laws and regulations, such as the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》).

B7: Anti-Corruption

The Group has developed internal anti-corruption ordinances and attaches importance to employees' integrity, preventing employees' misconduct 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 Company Limited" 《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 essential 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. Moreover, any employee (including contract, part-time and temporary employees) is obliged to report any perceived misconduct or malpractice within the Group to the Chief Executive Officer, the Executive Director, or the Managing Director. The Group has organised training and developed various policies, procedures, codes, and guidelines to enhance its' employees' ethics and integrity standards.

The Group has always strictly abided by laws and regulations concerning anti-corruption, including the "Contract Law of the People's Republic of China" and the "Law of the People's Republic of China Against Unfair Competition". During the Reporting Period, there were no claims concerning corruption against the Group and its employees, and no material instances of non-compliance concerning corruption were 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 for successful corporate operations. The Group is keen to provide the necessary support to the locale in which its production bases are located, including giving aid to disadvantaged groups, prioritising hiring local job applicants, and participating in volunteer work. The base companies actively support 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 them to enrich employees' cultural life.

Integration of enterprises and localities boosts development

As a medium and large-scale enterprise in Hami High-Tech Industrial Development Zone, Xinjiang Tengxiang Magnesium Products Company Limited ("Tengxiang Company") has been the focus of the local government since its establishment. The enterprise has increased the household incomes of local staff by employing local surplus labours. Meanwhile, workers can handle domestic farming when they are off-duty, thus achieving a win-win situation. In addition, under the active support of the local government, the labour resource is guaranteed.

In the recent years, Xinjiang staff accounted for approximately 61% of the total staff of the Tengxiang Company. As one of the enterprises above designated size in the new materials industry in Hami City, of which is one of the six pillar industries, Tengxiang Company has won critical acclaim from the local government for its construction and development. In addition, it has enjoyed preferential policies of Xinjiang Autonomous Region, such as refunding social insurance and subsidies for retaining employees.

OUTLOOK

In response to the requirements of the Chinese Government's Ministry of Ecology and Environment and other functional departments regarding the promotion of ultra-low emissions in the coking industry, as well as the guidelines for industrial restructuring issued by the National Development and Reform Commission, the local government in Hami, Xinjiang, where Tengxiang Company is located, has mandated that designated industry production facilities must undergo upgrading and renovation. This includes major magnesium production enterprises like Tengxiang Company, which primarily utilise lanthanum coke tail gas for magnesium refining. Due to the fact that the lanthanum charcoal production line at Tengxiang Company was built and put into operation in October 2010, the facilities of the production line have aged and become outdated. There are issues of environmental pollution and low energy efficiency, and the technological level is outdated, no longer in line with the industrial policies of the Chinese government. The upgrade and transformation of coking enterprises in the Hami region have been included as a key focus of local government supervision and regulation in 2024. Tengxiang Company has been requested to promptly implement the upgrade and transformation of the outdated technology in the lanthanum charcoal production facilities, in order to meet the requirements of the current healthy development of enterprises. Shortly after completing the restructuring of our offshore debts, we still face numerous challenges. Market demand is weak, and there is a tight cash flow. However, the environmental upgrade and renovation require a significant amount of capital investment. The management is actively seeking financing and exploring various financing methods, including but not limited to introducing venture capital, equity financing, project partnerships, and other financing options. They are making efforts to find the best possible solution to meet the funding requirements.

The Group continues its innovation efforts, and has increased its investments in research and development. It also optimises production procedures and operation regulations. We will consolidate our resources and pay attention to the development of the magnesium alloy business. Against the backdrop of a "Green Economy", magnesium new materials will have more significant development potential amid the lightweight trend in automobile production. The Group will also strive to contribute to energy-saving and lightweight development. In the post-epidemic era, magnesium products will continue to show its charm and further establish solid consumer confidence. It is foreseen that the magnesium industry is launching a new era with good prospects for development!



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Rare Earth Magnesium Technology Group Holdings Limited

