



Environmental, Social and Governance (ESG) Report in 2022

Hengdian Group DMEGC Magnetics Co., Ltd

About This Report

This Environmental, Social, and Governance (ESG) Report is released by Hengdian Group DMEGC Magnetics Co., Ltd. (hereinafter referred to as "DMEGC"). We aim to disclose our social responsibility practice better and respond effectively to the expectations and demands of stakeholders, including shareholders. It is released simultaneously with the company's *Annual Report 2022*. Before that, DMEGC has issued 14 Social Responsibility Reports in a row.

This report was reviewed and approved at the 29th Meeting of the 8th Board of Directors of the company held on March 7, 2023.

Reporting Period

The time frame of this report is from January 1, 2022 to December 31, 2022. In order 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.

Data Sources

The financial data involved in the report is extracted from the Company's 2022 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.

References

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

Compilation Conformance

This report is prepared in accordance with the *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, the *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0)* and the *GRI Sustainability Reporting Standards (GRI Standards)* and elaborates from the perspective of all stakeholders.

Release Form

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

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Corporate Culture



| | | |
|---|----------------------|---|
|  | Vision | Unique and world first class |
|  | Mission | Made in DMEGC, Lead the world |
|  | Core Value | Customer focus, Employee care, Unity, Realism, Tenacity, Innovation |
|  | Work Style | Work Diligently, Strive Tenaciously |
|  | Development Strategy | Strengthen magnetics and develop new energy |

Board Statement

DMEGC is deeply aware that in our development, corporate responsibility does not only involve shareholders, employees, and customers, but also need to concern the society as a whole. Thus, it is necessary to take a holistic approach to meet the demands of various stakeholders and jointly contribute to the development of low-carbon, green, and sustainable society.

The year 2022 marked a new chapter of DMEGC. We reinforced our strategy that concentrates on strengthening magnetism and developing new energy, analyzed our business position, and set medium-term development goals and roadmaps. As a result, the operations of all business segments steadily improved and performance reached a record high.

With a long-term vision, we continue to improve the corporate governance structure. Pursuing stable and sound development, we keep enhancing the corporate governance structure, set up an ESG committee under the Board of Directors, and fully implement the concept of sustainable development. We also improve the Company's management system to fully protect the legitimate rights and interests of shareholders. Our intensified efforts in business conduct, compliance, and business ethics strongly support the Company's high-quality development.

Going with the tide, we persist in green and low-carbon development. Guided by China's '30•60' decarbonization goal, we continue to increase investment in the new energy sector and launch differentiated photovoltaic products, which have become the main driver of our growth. The Li-ion battery business focuses on small-sized Li-ion batteries with optimized product performance and customer base, paving the way for the release of new production capacity. At the same time, the Company continues to improve the environmental protection system, implement energy conservation and emission reduction measures in all business segments, to completely shift to green and low-carbon production.

Seeking progress while maintaining stability, we accelerate technological innovation and project investment. Driven by innovation, we ramp up input in talent and R&D each year. In addition to R&D that serves customer needs, we also concentrate our efforts on emerging industries and new products. Besides, digital transformation has been launched and digitalized, smart and green factories have been built, to strengthen our advanced production capacity and drive sound development.

Based on people-oriented principle, we share what we achieve with employees. Following the principle of "co-creation, co-ownership, co-prosperity and co-sharing", we bring together people of different backgrounds to our cause with an open mind. We also construct a diversified learning platform for employees, create a fair and open promotion mechanism, and ensure that employees thrive together with the company. Meanwhile, we stick to our corporate social responsibility and take multiple measures to benefit others in our continuous growth.

Giving back to society, we strive for common prosperity. As we grow, we never forget our corporate social responsibility and take multiple measures to benefit others. The Company has been the largest industrial taxpayer in Jinhua city for 26 consecutive years, contributing local economic growth to great extent. We provide more than 10,000 high-quality jobs, also promote rural vitalization and common prosperity through recruitment from the central and western regions, assistance programs, and targeted funds for rural development.

Future is in the hands of those who never give up. In 2023, DMEGC will continue to implement the strategy of strengthening magnetism and developing new energy, insist green development and innovation, develop advanced production capacity, and accelerate digital transformation. We will harness the advantages of the two major business segments, contributing to bring a greener, smarter, and better life to all.

Board of Directors of DMEGC

Contents

| | | | | |
|---|-----------|--------------------------------------|----|---------------------------------|
| Corporate Culture | 01 | | | |
| Board Statement | 02 | | | |
| About DMEGC | 04 | | | |
| <hr/> | | | | |
| Corporate Governance | 12 | Optimizing Governance Structure | 14 | Protecting Shareholders' Rights |
| | | Improving Compliance Risk Management | 16 | |
| <hr/> | | | | |
| Sustainability and Green Environment | 20 | Deepening Environmental Management | 22 | Controlling Pollution and Waste |
| | | Improving Resource Utilization | 24 | Addressing Climate Change |
| | | | | 30 |
| <hr/> | | | | |
| Innovation with customer-orientation | 32 | Technological Innovation | 34 | Exploring Smart Manufacturing |
| | | Pursuing Best Quality | 36 | Optimizing Customer Services |
| | | | | 38 |
| <hr/> | | | | |
| Supply Chain Optimisation | 40 | Regulating Procurement Management | 42 | Empowering Partners |
| | | Guiding Behavioral Norms | 44 | |
| <hr/> | | | | |
| Staff, Community and Public Welfare | 46 | Protecting Employee Rights | 48 | Providing Safe Environment |
| | | Empowering Employee Development | 49 | Caring for Employees' Life |
| | | Safeguarding Employees' Health | 52 | Prospering with the Community |
| | | | | 58 |
| <hr/> | | | | |
| Vision in 2023 | 60 | | | |
| Appendix | 61 | | | |

About DMEGC

Corporate Profile

Founded in 1980, Hengdian Group DMEGC Magnetics Co., Ltd ("DMEGC") was listed on the Shenzhen Stock Exchange in August 2006 (stock code 002056) as a national high-tech company driven by the development of magnetic materials and new energy. The Company serves as the rotating chairman of the China Electronic Components Association and a market leader in China's magnetic ferrite industry. We are also the world's first photovoltaic module manufacturers who was awarded low-carbon certification and a national "green factory".

Under the strategy of strengthening magnetics and developing new energy, the Company develops our conventional magnetic material sector to maintain our strong market competitiveness, while expanding into new market niches such as devices and modules. Our new energy investment is concentrated on photovoltaic and Li-ion battery industries to explore differentiated products, to be a representative enterprise in manufacturing transformation and upgrading.

Global operations

Putting customers first, the Company has established several subsidiaries or offices in major markets around the world and has established a global network. We implement the "local for local" strategy to provide customers and markets with suitable solutions through local teams effectively and efficiently. Our products are exported to more than 70 countries and regions. Our factories are located both at home and abroad, in China such as Zhejiang, Jiangsu, Sichuan, Henan and Guangxi Provinces, for abroad are in India and Vietnam.

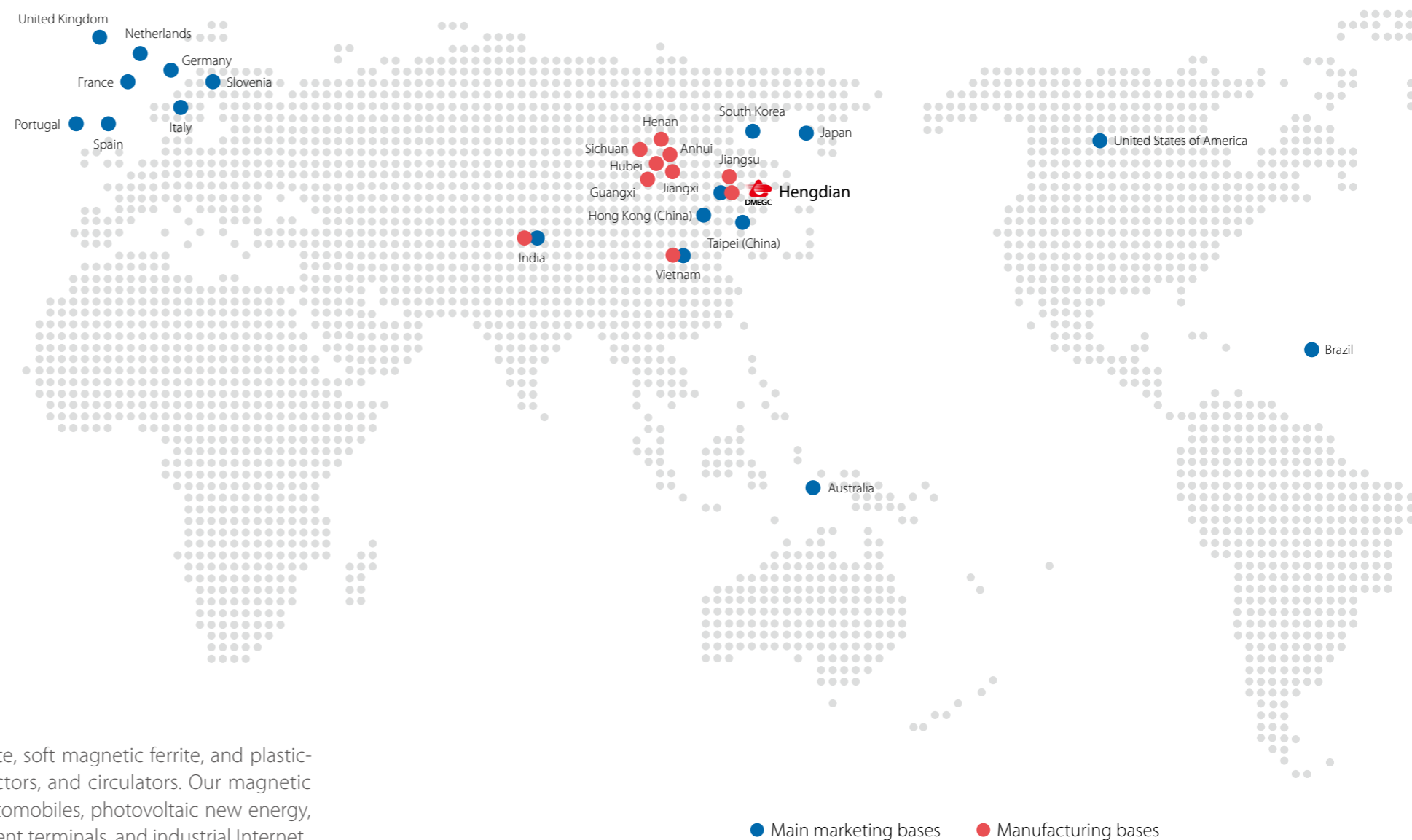
Products and applications

Magnetic material products include ferrite powder, permanent magnetic ferrite, soft magnetic ferrite, and plastic-bonded ferrite magnets, and devices mainly contain vibration devices, inductors, and circulators. Our magnetic materials and devices are mainly used in fields including home appliances, automobiles, photovoltaic new energy, consumer electronics, communications, big data centers, charging piles, intelligent terminals, and industrial Internet.

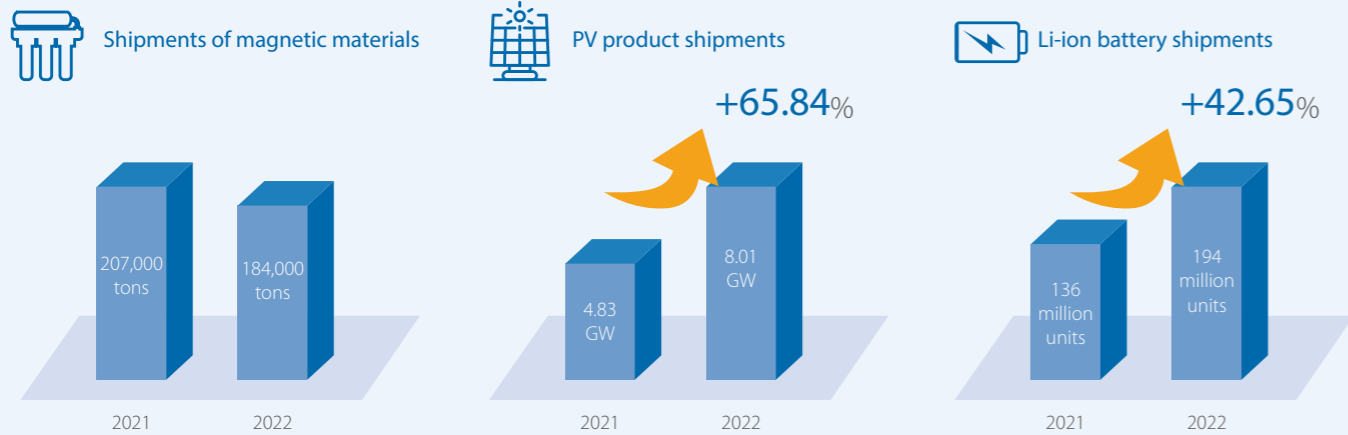
Photovoltaic products include silicon wafers, cells and modules, to provide global customers with highly efficient photovoltaic products and systematic solutions for distributed generation for homes and businesses and centralized power stations.

Li-ion battery products include ternary cylindrical lithium-ion batteries and battery packs, which are mainly used in electric two-wheelers, portable energy storage, electric tools, and intelligent small household appliances.

Company's Milestone



Key Figures for 2022



Positions in major social groups



| No. | Organizations | Positions |
|-----|---|--------------------------|
| 1 | SolarPower Europe | Member |
| 2 | China Electronic Components Association | Deputy director |
| 3 | China Photovoltaic Industry Association | Executive director |
| 4 | Magnetic Materials and Devices Branch of China Electronic Components Association | Director |
| 5 | National Magnetic Components and Ferrite Materials Standardization Committee | Member |
| 6 | Household Photovoltaic Professional Committee of China Photovoltaic Industry Association | Committee member |
| 7 | China Chamber of Commerce for Import and Export of Machinery and Electronic Products | Member |
| 8 | China Electronics Enterprises Association | Director |
| 9 | Zhejiang Magnetic Materials Industry Association | President |
| 10 | Zhejiang Solar Photovoltaic Industry Association | Executive vice president |
| 11 | Zhejiang Green Building and Building Commercialization Association | Director |
| 12 | Zhejiang Industry Association for Solid Waste Utilization and Disposal and Soil Remediation | Member |

Impact



Honors in 2022



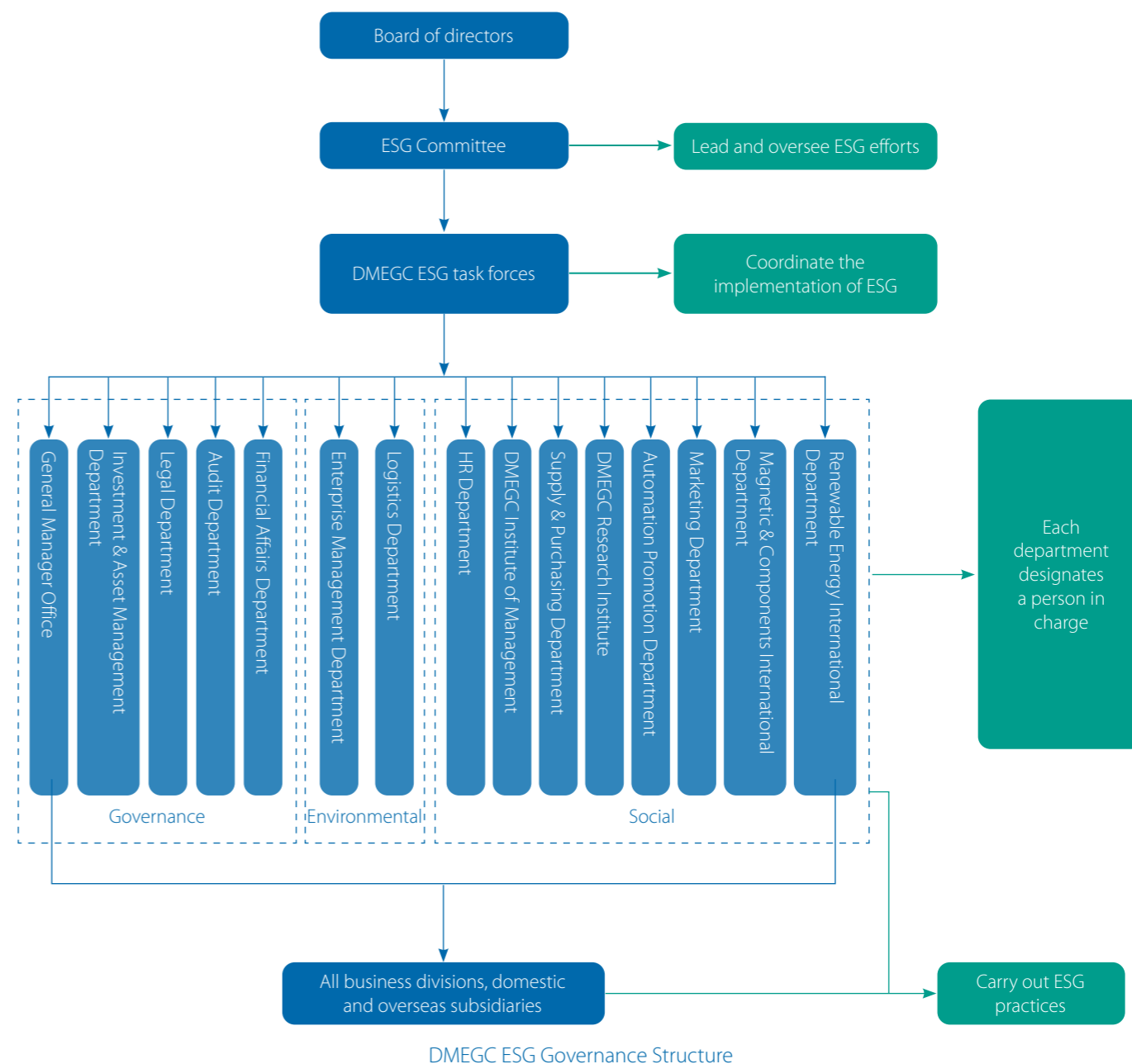
| No. | Honors | Institutions |
|-----|--|---|
| 1 | China Patent Excellence Award (Structure of double-sided PERC solar cells and their preparation process) | China National Intellectual Property Administration |
| 2 | AAA-level credit enterprise | China Electronic Components Association |
| 3 | Top 15 innovative enterprises in Top 100 of Zhejiang Provinc | Zhejiang Provincial Administration for Market Regulation (Zhejiang Intellectual Property Bureau) |
| 4 | The first batch of manufacturing "cloud enterprises" in Zhejiang Province | Economy and Information Technology Department of Zhejiang Province |
| 5 | 2022 intellectual property demonstration enterprise of Zhejiang Province | Zhejiang Provincial Administration for Market Regulation (Zhejiang Intellectual Property Bureau) |
| 6 | 2021 outstanding unit in controlling energy consumption in Zhejiang Province | Zhejiang Provincial Development and Reform Commission |
| 7 | The 13th China Listed Company Investor Relations Tianma Awards "Best Board of Directors" and "Best Investor Relations" | Securities Times, e Company |
| 8 | 2022 Listed Company Board Office Good Practice Award | China Association for Public Companies |
| 9 | TOP30 2022 Zhejiang Listed Companies Best Internal Control Award TOP30 | School of Management, Zhejiang University, Global Zhejiang Business Research Institute, Zhejiang University, the Listed Companies Association of Zhejiang |

ESG Management

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, strengthen the construction of ESG organization, and improve ESG management mechanism to gain a sustainable competitive edge.

ESG management structure

The Company has set up an ESG Management Committee under the Board of Directors, constructed a three-tier management structure, with the Board taking the lead in decision-making, the ESG Promotion Group in management, and each management and business department in implementation. We aim to actively promote ESG and sustainable development in all departments, continuously improve ESG management and optimize ESG management structure.



DMEGC ESG Governance Structure

Material Topics

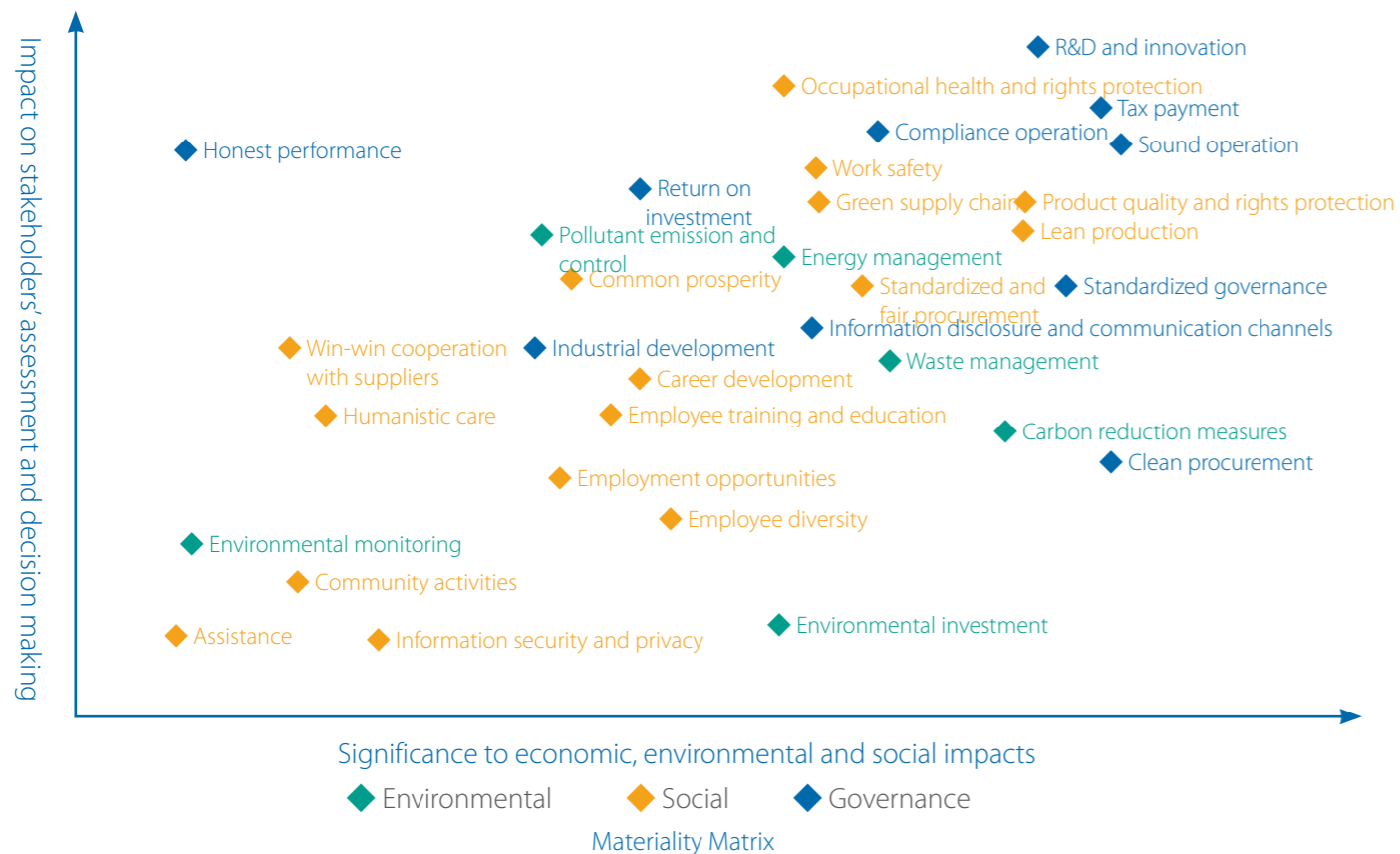
We make an in-depth analysis of national policies, domestic and international social responsibility standards, and development needs of the industry to gain some insights into the macro policy trends in sustainable development. Then, we identify the hot topics in the industry by combining the latest requirements on disclosed issues and information. Finally, referring to ESG-related standards, we identify the topics crucial to both the Company and its stakeholders by taking into account our actual situation and strategic planning.

Identification > We make an in-depth analysis of national policies, domestic and international social responsibility standards, and development needs of the industry to gain some insights into the sustainability's macro policy trends. Then, we identify the hot topics in the industry by combining the latest requirements on disclosed issues and information. Finally, referring to ESG-related standards, we identify the topics crucial to us and our stakeholders by taking into account our actual situation and strategic planning.

Prioritization > Material topics are prioritized by importance according to two dimensions, the "impact on stakeholders' assessment and decision making" and the "significance to economic, environmental and social impacts".

Review > We make a report about material topics, which is reviewed by the Board, ESG Committee, all departments, all member companies and external agencies.

Recap > Referring to the materiality matrix, we will set new goals, make new plans, start new projects, and communicate with stakeholders in the coming year.



Stakeholder Communication

DMEGC actively identifies the expectations and demands of key stakeholders. In combination with the Company's development strategy and industry characteristics, we have established a diversified communication mechanism in response to the concerns of stakeholders, and to further strengthen our ESG and sustainability capacity construction.

| Stakeholders | Expectations and appeals | Response measures and effectiveness | Communication channels |
|--------------|--|---|--|
| Shareholders | <ul style="list-style-type: none"> Standardized corporate governance Sustainable profitability Excellent return on investment | <ul style="list-style-type: none"> Optimizing the internal compliance management system Improving the transparency of information disclosure Securing steady operation to promote the development of the Company Providing stable return on investment | <ul style="list-style-type: none"> Company announcement The Shareholder Meeting Performance briefing On-site investigation Roadshow SZSE Easy Interaction platform |
| Customers | <ul style="list-style-type: none"> High-quality green products Leading technology guarantee Reassuring after-sales service | <ul style="list-style-type: none"> Promoting product innovation Optimizing the QMS Putting all-round marketing service system in place Strictly implementing the contract Protecting customer privacy | <ul style="list-style-type: none"> Customer visits Industry exchange Satisfaction survey |
| Employees | <ul style="list-style-type: none"> Employee rights and benefits Employee training and development Occupational health and safety Diversity, inclusion and equality | <ul style="list-style-type: none"> Standardized employment and respecting human rights Guaranteeing employee compensation and benefits Enriching training content/channels Unblocking career development channel Offering regular physical examination | <ul style="list-style-type: none"> Labor union and workers' congress Employee symposium Employee training Grievance channel Recreational activities |
| Government | <ul style="list-style-type: none"> Integrity and law-abiding Tax payment according to law Employment guarantee Driving regional economic development | <ul style="list-style-type: none"> Responding to national policy calls Abiding by law, being compliant and proactively paying tax Protecting the environment and strictly control wastes Providing high-quality jobs | <ul style="list-style-type: none"> Meeting exchange Supervision and inspection Policy suggestion |
| Suppliers | <ul style="list-style-type: none"> Fair trade Common development | <ul style="list-style-type: none"> Improving the management system Standardizing the supplier's code of conduct Promoting standardized procurement Promoting sustainable supply chains | <ul style="list-style-type: none"> Access certification Communication and training Assessment and feedback |
| Partners | <ul style="list-style-type: none"> Sharing innovation achievements Jointly promoting the development of the industry | <ul style="list-style-type: none"> Actively leading or participating in standard formulation Promoting the upgrading of intelligent manufacturing in the industry | <ul style="list-style-type: none"> Industry association organization Industry exchange |
| Communities | <ul style="list-style-type: none"> Environmental protection Assistance to vulnerable groups Supporting rural vitalization | <ul style="list-style-type: none"> Protecting the environment and promoting green production Attracting the employment of people in the central and western regions Participating in rural assistance activities Carrying out volunteer services/activities | <ul style="list-style-type: none"> Environmental protection activities Volunteer activities Charitable projects |



Corporate Governance

Based on steady development, we constantly improve the corporate governance structure and management system to fully protect the rights and interests of shareholders. Our intensified efforts in business conduct, compliance, and business ethics strongly support the Company's high-quality development.

UN 2030 Sustainable Development Goals (UN SDGs)



Optimizing Governance Structure

DMEGC has established a standardized corporate governance structure and management system, formulated and improved the rules of procedure of the Shareholder Meeting, the Board of Directors, the Board of Supervisors, and the senior management based on the company's actual situation to further clarify their responsibilities and authority in decision-making, implementation, and supervision. Therefore, they can perform their respective duties to balance each other, thus promoting the standardized operation of the Company.

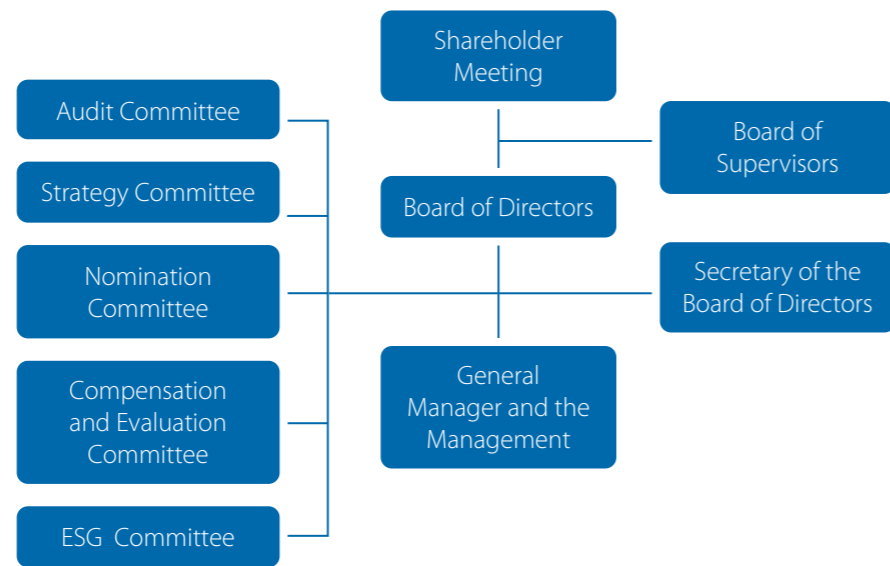
The Company continues to optimize the governance structure of the Board. In addition to the Audit Committee of Board of Directors, Strategy Committee, Nomination Committee and Compensation and Evaluation Committee, we have also established the ESG Management Committee under the Board. Equipped with professional knowledge, each committee assists the Board in making professional decisions based on the needs of corporate governance while acting as a bridge between the Board and the management to promote corporate governance.

Key performance in 2022

7 directors in total, including **1** female director and **3** independent directors

.....

Educational background of directors:
3 PhDs and **4** Masters



DMEGC Governance Structure

Shareholder Meetings

We ensure that the holding of Shareholder meetings, the qualification of attendees and the voting procedures are in compliance with the laws, administrative regulations and the DMEGC's articles of association, to protect the legitimate rights of all shareholders, especially those from SMEs.

Key performance in 2022

1 annual Shareholder Meeting and **1** interim Shareholder Meeting held, **22** proposals approved in total, of which **12** proposals were counted separately by small and medium investors

Board of Directors

In accordance with the rules of procedure, the directors of the Board perform their duties to keep an eye on the decision-making and ensure DMEGC's standardized operation and scientific development.

Key performance in 2022

7 Board meetings held, with **100** % attendance of directors, **51** proposals approved

Board of Supervisors

In accordance with the rules of procedure, the supervisors perform their duties to supervise the operation of the Company, the major issues, the decision-making on connected transactions as well as the performance of duties by the directors and senior management, thus promoting DMEGC's standardized operation and healthy development.

Key performance in 2022

4 meetings of the Board of Supervisors held, with **100** % attendance of supervisors, **18** proposals approved



Improving Compliance Risk Management

Key performance in 2022

7 compliance training sessions held, with **190** participants and **420** training hours of training

13 integrity establishing training sessions held with **648** participants and **540** training hours

100% signing rate of supplier compliance statement

Compliance

DMEGC always abides by the business ethics of trustworthiness and integrity, the rules and regulations related to anti-bribery and anti-corruption, and the *DMEGC Anti-Corruption Statement*. The Company has a "zero tolerance" attitude towards corruption. By setting up a task force for clean development, we have embedded the concept of clean governance in our day-to-day operation. We require suppliers to sign the *Supplier Integrity Commitment* and we send the *DMEGC Statement Anti-Corruption Statement* to them on a regular basis to address the corruption from the get-go. Besides, we develop the *Management of Gift and Gratuity Handover* and *Basic Code of Conduct for Buyers* to create a clean internal environment. We set up a reporting system and a general manager mailbox to receive complaints and ensure confidentiality of whistleblowers and sensitive content to avoid threats or retaliation against whistleblowers.



Research on clean private enterprise

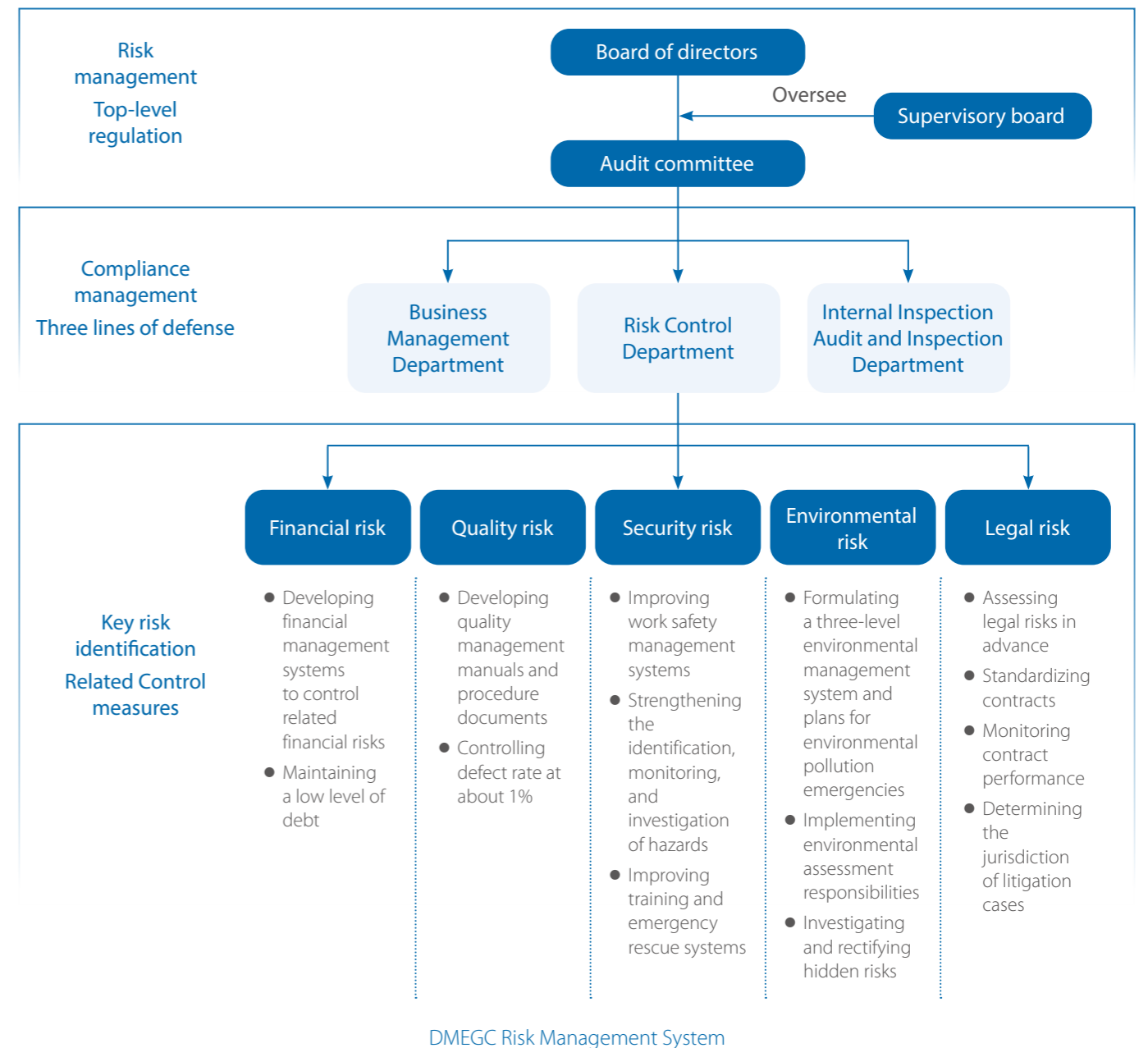
The Company continues to improve the construction of internal control system. We have formulated a string of supporting management measures of internal control systems in key business fields such as finance, production, sales and procurement to ensure the integrity and controllability of our decision-making mechanism. In 2022, in accordance with relevant laws and regulations, we revised 14 rules and regulations, including the *Articles of Association*, the *Rules of Procedure of the Board of Directors*, the *Rules of Procedure of the Board of Supervisors*, the *Rules of Procedure of the Shareholder Meeting*, the *Decision-making System for Connected Transactions*, to promote effective implementation of the relevant systems.

Key performance in 2022

11 risk management training sessions held with **1,930** participants and **5,010** training hours

Risk control system

Following the management principle of the unity of responsibility, power and benefit, the Company clarifies the respective responsibilities of each level in the internal control evaluation and risk assessment activities from the beginning to improve the quality of risk and compliance management. The business department and factories with operation rights are the first responsible department for controlling operation-related risks; the management department strengthens supervision and risk prevention apart from providing quality service; the audit department supervises the rectifies the problems in a timely manner in accordance with relevant regulations.



Protecting Shareholders' Rights

While the Shareholder Meeting, the Board of Directors, the Board of Supervisors, and the senior management perform their duties to ensure scientific decision-making and coordinated operation, DMEGC can ensure fairness, impartiality and openness to all shareholders and to protect their lawful rights in accordance with the law.

Key performance in 2022

163 online and offline investor research receptions with **4,106** participants

23 offline strategy sessions with brokerage firms attended

1 online annual performance briefing held, with **100** % timely response rate

Participation in business decisions

We make detailed regulations on the authority of the Shareholders Meeting, the convening of the meeting and the shareholders' rights including the right to propose and vote by formulating the *Articles of Association and the Rules of Procedure of the Shareholder Meeting*. For the Shareholder Meeting, we also design the convening process, workflow process and work distribution chart to split the work and implement the supervision mechanism. Before the meeting, we invite shareholders to participate in the meeting; during the meeting, we interact sincerely with them and pay attention to their demands; after the meeting, we implement those ideas and provide feedback to them in a timely manner. Furthermore, we build a platform for shareholders to monitor, advise, question and vote and to understand DMEGC's operation.

Open communication channels

We adhere to the principle of "respect, equality, initiative and continuity" and value the building and maintenance of investor relations. We strengthen our communication with investors through multiple channels, such as the investor relations on the official website, performance briefing, investor research, roadshow, WeChat group, telephone, fax and e-mail, to convey our business strategy and long-term value and to create an atmosphere of mutual trust. We also expect more small and medium investors to express their voices through our platforms in time so that they can participate in the decision-making process of corporate governance, thereby promoting DMEGC's healthy development.

Key performance in 2022

Annual dividend of RMB **390** million in 2021, accounting for **49.24** % of distributable profit

Accumulated cash dividends of RMB **1.813** billion since listing, accounting for **28.48** % of the accumulated net profit attributable to shareholders of the listed company

Stable dividends

DMEGC has established a continuous, stable and scientific return plan and mechanism for investors to meet the needs of long-term investors for stable returns and to attract more investors.

High-quality information disclosure

Aiming to enhance the transparency of information disclosure, we have formulated the *DMEGC Information Disclosure Management Policy* and the *DMEGC Internal Reporting System for Material Information* to ensure timely, accurate, truthful, and complete information disclosure and to protect investors' right to know.

During the reporting period, we proactively fulfilled our obligation of information disclosure and released 116 public announcements and 32 communication minutes for all investors. In July 2022, we received Grade A, the highest grade, in the information disclosure assessment of the Shenzhen Stock Exchange. At the same time, we, in accordance with the *DMEGC Management Policy for Insiders Registration*, set up an archive for informants and carried out the informant registration to regulate the insider information management. During the reporting period, we did not happen any illegal access to insider information for insider trading.





Sustainability and Green Environment

Committed to the concept of green development, we embrace both opportunities and challenges brought by climate change, improve the environmental protection system, implement various energy conservation and emission reduction measures, and focus on green and low-carbon production. All our efforts contribute to China's '30-60' decarbonization goal.

UN 2030 Sustainable Development Goals (UN SDGs)



Deepening Environmental Management

Attaching great importance to environmental protection, the Company implements the environmental management policy of "following environmental protection laws and regulations, improving environmental performance, preventing environmental pollution, and seeking sound corporate development." We heighten employees' environmental awareness through environmental protection emergency drills, publicity, and training, contribute to environmental improvements in regions, and strike a balance among production, society, and the environment.

Environmental management system

Key performance in 2022

Total investment in environmental protection: RMB **96.899** million

DMEGC received the title of "Waste-free Factory" in Jinhua City

The Company strictly abides by the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, *Water Pollution Prevention and Control Law of the People's Republic of China*, and *Standard for Pollution Control on Hazardous Waste Storage*. Based on the requirements of the ISO 14001 environmental management system and our diverse business activities, we have established a sound environmental management system. An environmental protection task force is formed with an environmental protection network at the three levels of the Company, departments, and factories, each of which has clear responsibilities. We continue to implement the Company's environmental policy, guard against environmental risks, and promote sustainable and green development.

Environmental management policies

Based on the *DMEGC Environmental Protection Management System*, we have formulated documents that specify requirements in different areas, including the *Measures for Greenhouse Gas Emission Management*, *Measures for Hazardous Waste Management*, *Wastewater Measurement Methods*, and *Measures for Environmental Protection Responsibility Interviews*. We also implement the environmental protection assessment responsibilities, refine assessment and inspection indicators, and lower the consumption of energy and resources as well as emissions. We step up investment and upgrading of environmental protection facilities, build waste-free factories, and ensure environmental protection measures go along with constructions and projects to cement the foundation for environmental management.



Environmental emergency response

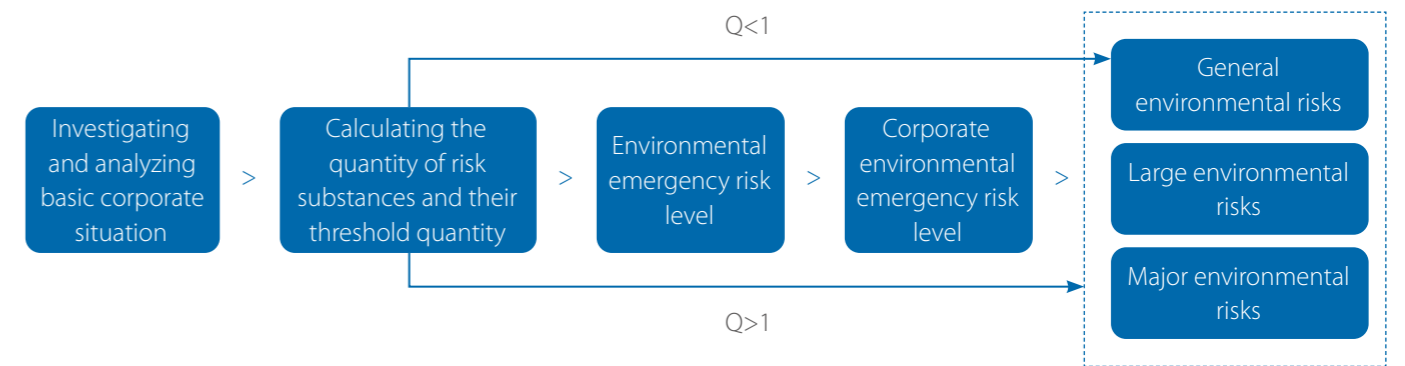
Environmental monitoring

According to the requirements specified in the pollution discharge permit, we compile self-monitoring plans for waste gas, wastewater, and soil, which are revised in view of project implementation. We also make full use of our testing capacities to monitor pollutants from time to time. Each year, a third party is entrusted to monitor the pollutants discharged by factories to ensure that high environmental standards are maintained in operation. In 2022, environmental monitoring showed that we met the national requirements and we soon posted our self-monitoring plans and monitoring reports online.

Emergency plans

The Company has formulated the *Measures for Hidden Risk Investigation*, which divides risks into three levels based on how easily they can be rectified. The first level points to major environmental risks, which once confirmed, will suspend production and administrative or criminal penalties. The second level refers to large environmental risks, which once confirmed, will impose administrative penalties and rectification within the deadline. The third level is general environmental risks, which involve fewer hazards and can be handled quickly.

The Company has also formulated the *Plan for Environmental Pollution Emergencies* and an implementation plan for environmental pollution emergency drills. We continue to improve our emergency response through drills, evaluations, and improvements. While normalizing environmental risk control, we also maintain emergency team building and the allocation of emergency supplies.



Classification Process Diagram of Corporate Environmental Emergencies



Confined space rescue drills



Emergency drills for hazardous chemical leakage

Environmental protection publicity and training

Through scientific and diverse training, DMEGC promotes the concept of environmental protection. By educating employees on environmental protection in various forms, we urge them to stick to clean production, low-carbon operation, and green offices and enhance their environmental awareness to reduce or prevent environmental accidents. In addition, we also advocate paperless offices with the help of digital systems and spruce up factories through greening projects, making sustainable development part of employees' daily work and life.

New recruits are required to engage in training on environmental protection, safety, occupational health, and rules. Our subsidiaries also regularly carry out environmental protection training on basic knowledge, laws and regulations, DMEGC's environmental protection system, facility management, and emergency response.

Key performance in 2022

67 environmental training sessions for 2,488 participants that lasted 2,590 hours



Provincial environmental protection department officials visit the Company on the World Environment Day

Improving Resource Utilization

Determined to reduce energy consumption in production and operation, we promote delicacy management by setting resource policies, goals, indicators, and plans. We also explore resource recycling and improve resource efficiency.

| | Power consumption (10 MWh) | Gas consumption (10,000 cubic meters) | Water consumption (10,000 tons) |
|--|----------------------------|---------------------------------------|---------------------------------|
| Consumption per RMB 1 million of output value | 4.83 | 0.18 | 0.02 |
| Year-on-year increase/decrease (%) | -19.88% | -40.81% | -26.47% |
| Consumption per RMB 1 million of output value in the photovoltaic industry | 3.92 | / | 0.02 |
| Year-on-year increase/decrease (%) | -11.53% | / | -33.64% |

Energy management

The Company requires all departments to formulate and deliver annual energy conservation and emission reduction plans and implement energy consumption management systems. In 2022, strictly following the ISO 50001 energy system, the Company ramped up investments in energy-saving and technological transformation according to annual plans, incorporated key production indicators into the Company's monthly performance assessments, and managed our targets properly. We gave full play to the potential brought by new technologies and industrial models, optimized energy-intensive links, and reduced energy intensity. Through the establishment of an intelligent power use management platform, we tapped into the dynamics of the peak-valley(off-peak) electricity price mechanism, so that above 50% of off-peak electricity can be utilized. We also empowered the energy management system with information technology.

Key performance in 2022

About 960.4987 GWh purchased electricity consumed

Reducing the use of fossil fuel

The total photovoltaic installed capacity on the roof and carport of factories has reached 26.55MW. In 2022, the electricity generated for self-consumption was 22.2823 GWh, reducing the use of standard coal by 2,739.49 tons.

Permanent magnet compressor servomotor upgrading

The permanent magnet compressor used to have a single pump or double pump for three control systems. After upgrading, each control system is controlled separately, shortening the compression cycle and saving energy consumption by about 9.6 GWh each year.

Centralized gas supply of centrifugal air compressors

The solar PV division realizes centralized gas supply by adding centrifugal air compressors, which, together with the original equipment, adjust gas supply to reduce energy waste caused by frequent load/unload cycles of air compressors, lowering gas consumption per unit by 11.4%, or 5.1 GWh of electricity each year.

Energy-saving air conditioners

The solar PV division ensures intelligent management of the energy consumption of air conditioners by installing pressure sensors, temperature sensors, and control software. As a result, power consumed reduces by 12%, saving about 2.75 GWh of electricity each year.

Energy-saving light-induced degradation furnaces

By updating the manufacturing process, the solar PV division lowers the heating temperature of light-induced degradation furnaces, which saves about 1.5 GWh of electricity each year.

The project of furnace upgrading

The magnet material division improves the size of furnaces and promotes automation. As a result, the production capacity has increased and natural gas intensity has reduced by 6.5%, saving about 930,000 m³ of natural gas per year.

Waste Water Treatment

We continue to improve water management by making water-saving plans and promoting the delicacy management of water resources. We introduce advanced equipment, upgrade facilities and techniques of production bases, and reduce water use by adjusting the way water is consumed while ensuring product quality and clean production. Besides, for water in the production process, we adopt measures such as the recycling of pure water, wastewater, and reclaimed water to improve water efficiency.

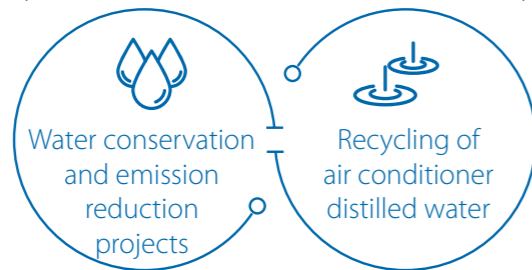
Key performance in 2022

Water consumption:
4,220,700 tons

The water consumption of photovoltaic cell production projects amounted to **0.3** tons/kW,

lower than the 0.75 tons/kW specified in the Standard Conditions for Photovoltaic Manufacturing Industry (Version 2021) issued by the Ministry of Industry and Information Technology

The solar PV division improves the efficiency of pure water, recycles wastewater discharged, and reduces water use in workshops. By installing pure water recovery devices, the solar PV division has reduced the water intensity of solar cells by 15%, saving about 240,000 tons of water per year.



The solar PV division installs pipes and water tanks to collect distilled water from the fresh air handling unit and pump the water into the cooling tower for replenishment for saving water and energy consumption of the cooling tower. Annual water saving exceeds 65,000 tons.

Controlling Pollution and Waste

In accordance with relevant laws and regulations, the Company has formulated the *DMEGC Measures for Hazardous Waste Management*, *DMEGC Measures for Greenhouse Gas Emission Management*, and *DMEGC Methods for Wastewater Measurement*, set pollutant discharge indicators and discharge requirements for each division, and conduct thorough supervision and monitoring of all pollution discharge locations to ensure that discharge standards are met.

Key performance in 2022

NOx emissions **73.30** tons

SO₂ emissions **5.39** tons

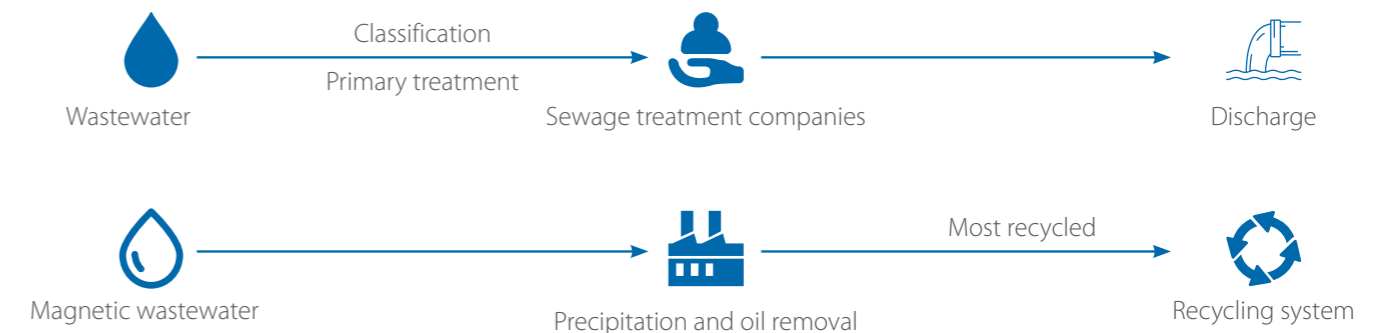
COD emissions **124.93** tons

NH₃-N in water (wastewater) **13.27** tons

Wastewater discharge

DMEGC generates wastewater from the production of magnetic materials, photovoltaic products, and Li-ion batteries, as well as major pollutants such as chemical oxygen demand (COD), suspended solids, and acidic and alkaline wastewater in the cleaning process. At the source, clean water and wastewater are separated, and the latter is classified into corresponding wastewater treatment facilities. The main wastewater outlet is installed with online monitoring equipment to supervise water quality and upload real-time data all the time. The situation is also overseen by provincial and municipal environmental protection departments to ensure that the discharge of wastewater meets relevant standards.

To improve environmental protection, all new factories are equipped with advanced wastewater treatment facilities to achieve wastewater recycling. Treated wastewater that is compliant with standards will be combined and discharged together. Meanwhile, wastewater treatment facilities for existing factories are upgraded.



DMEGC Wastewater Discharge Process

In terms of the management of wastewater treatment stations, we ensure that key equipment in use has a backup and sufficient emergency materials are put in place. A full-time environmental protection team is responsible for daily operation and maintenance, equipment inspection, water quality monitoring, and emergency response to avoid unauthorized pollutant discharge.



Wastewater treatment stations

The magnetic material factory rolls out a wastewater recycling project



After a wastewater recycling project is applied in the Company's magnetic material factory, workshop wastewater is collected into a reservoir, precipitated by ten high barrels, and separated by centrifuges into water and solids. The treated water then flows into a clean water collection pool for reuse in the workshop. According to relevant departments, the water treated by high barrels meets environmental protection requirements and recycled water quality standards. Wastewater sludge is also screened out by the centrifuge and recycled. The project has reduced monthly wastewater discharge by more than 97% to below 200 tons.

Waste gas and emissions treatment

The exhaust includes dust, furnace exhaust, and organic exhaust generated in the production process of magnetic materials. They are treated by bags, water films with wet electrostatic precipitators, and condensers with sprayed oxidizers. The acid and alkali exhaust and organic exhaust generated by the battery manufacturing process are respectively treated by spray absorption, combustion and condensation, activated carbon adsorption, and other methods.

DMEGC has responsibility letters that include environmental protection targets signed at each level, ensures environmental protection measures go along with construction projects, upgrades the techniques applied in pollution control facilities, and manages and reduces the release of exhaust. We formulate annual environmental self-monitoring plans following the requirements of the pollution discharge permit and entrust a third party to evaluate the indicators of exhaust and pollutants.



The upgrade project of furnace exhaust treatment facilities

In the upgrade project of furnace exhaust treatment facilities, the magnetic materials division has added wet electrostatic precipitators, which effectively reduce particulate matter in exhaust gases to about 20 mg/m³, lower than the limit of 30 mg/m³ stipulated in the comprehensive air pollution control plan of Zhejiang Province industrial furnaces.

Exhaust treatment systems

Alkali spray absorption
- WESP process



Exhaust treatment facilities of magnetic material furnaces

Condensation
- spray absorption



Exhaust treatment facilities of Li-ion battery factories

Waste disposal

Attaching importance to waste management, we set strict rules regarding waste standards and the responsibilities of relevant departments. We classify, collect, store, and dispose of solid waste. We also try to reduce the amount of waste by adopting bigger packages, tanks, and recyclable barrels to cut the use of packaging materials.

Waste disposal and recycling

The Company classifies waste and stores hazardous one in different categories. We entrust a qualified third party to recycle or handle waste properly such as general solid waste sludge. The classification of industrial waste is assigned to a solid waste sorting center and domestic waste is classified and stored and uniformly collected and treated.

Fluidized bed process upgrading for calcium fluoride

Through the FBC-FR fluorine recovery process, the solar PV division recovers more than 90% of the fluoride ions from wastewater and transforms them into calcium fluoride crystals, which is expected to reduce chemicals used by 30% and sludge by 85%.

MVR for ammonium sulfate transformation

In total, 30% of ammonium sulfate solutions generated by the solar PV division are entrusted to external parties for treatment. With Mechanical Vapor Recompression (MVR) technology, ammonium sulfate is transformed into industrial products, which greatly reduces solid waste treatment fees and increases income.



Cooling towers for the solar PV division

Addressing Climate Change

Green transition

We continue to ramp up investments in the photovoltaic industry to replace fossil fuels by efficient photovoltaic products in power generation, thus can reduce carbon emissions, and achieving a sustainable environment. At the same time, we adjust our energy consumption, establish a photovoltaic power generation company, and engage in EPC power station projects and their operations to support green and sustainable development in the industry.

Honor

For the first Carbon Disclosure Project (CDP) evaluation, the Company has awarded a B-Class related to climate change while the average score of Asian and global companies is C-Class, which indicates that the Company has reached the "management level" for sustainability.

Climate change is a common challenge for humankind. As an important player in the photovoltaic industry, DMEGC identifies, evaluates, and improves our greenhouse gas emissions to tackle climate change, pursue green transition, and promote a green and low-carbon value chain.

Greenhouse gas reductions

The Company has formulated the *Greenhouse Gas Emission Management System*, clarified the responsibilities of each department, and evaluated our greenhouse gas emissions. The *China Electronic Equipment Enterprise Greenhouse Gas Emissions Report* has been released as we strive to become an industry leader for green and low-carbon development.

Key performance in 2022

| | | |
|---|---|--|
| Distributed solar PV installed capacity | Annual power generation | Self-consumption |
| 51.46 MW | 50.9154 GWh | 22.2823 GWh |
| Installed capacity of the Company's photovoltaic products | 8.010 TWh of electricity can be generated each year based on 1,000 hours of daylight per year | Equivalent to reducing carbon dioxide emissions by about |
| 8.01 GW | | 5.635 million tons |

Green packaging and logistics

To reduce the use of resources, the Company promotes green logistics with advanced logistics technology to organize transportation, warehousing, and other activities, and also choose suitable vehicles and transportation modes. We also establish a recycling system for packaging materials including pallets and cartons to minimize packaging waste. Meanwhile, for packaging materials of hazardous chemicals, qualified suppliers offering such materials are preferred in the recycling process to reduce environmental pollution.



At the beginning of 2022, the self-developed and fully-automated assembly line for tearing labels was launched. Labels, pressed by a mechanical arm and heated at high temperature, drop from where they are attached and then collected.

Automated packaging material recycling

The assembly line recycles an average of **1,300** sets of packaging materials per day, improving efficiency by **50%** and reducing labor intensity by **50%**.

Environmental protection

Environmental protection is integrated into our production and operation. During the construction and management of projects, we conserve biodiversity and minimize negative environmental impacts to create a beautiful environment where humans live in harmony with nature.



The Company comes up with reasonable factory designs and spruces up the factory environment



Innovation with customer-orientation

“Customer-centric” is always at the core of our efforts to improve product quality and services. We stick to self-dependent innovation, develop key technologies, and provide customers with products and services that are green, intelligent, and innovative, which pave the way for our healthy and sustainable development in the long run.

UN 2030 Sustainable Development Goals (UN SDGs)



Technological Innovation

We have built innovation platforms such as the state-level corporate technology center, state-level corporate postdoctoral research center, provincial key corporate research institute, and provincial PV cell and module engineering center, attracting more than 2,500 R&D experts. We have established an R&D system prioritizing customer needs and emerging industries and products. In addition, policies such as *Measures for the Management of Special Development Funds for Major Technological Innovation*, *Measures for the Management of Technological Innovation*, and *Measures for the Management of Laboratory Open Funds* have been formulated, constructed an open and collaborative innovation system and an enabling atmosphere for innovation.

Innovation incentives

The Company establishes an effective R&D management process with fair incentives, prioritizes market commercialization and original technologies in employee evaluation and salary distribution, and creates a set of innovation mechanisms that can stimulate vitality.

We ensure that the responsibilities of R&D projects are shouldered and take systematic approaches to evaluate technologies. The main R&D process and its supporting services are determined from the aspects of customer satisfaction, technology leadership, quality reliability, and competitive costs. We encourage employees to engage in R&D with special fund management measures for major technological innovation.



Setting annual innovation awards. Formulating *Implementation Rules for Innovation Rewards* and *Technology Innovation Project Management and Incentive Measures*

Setting patent management measures and patent value assessment and hierarchical management methods for intellectual property creation

Providing innovation personnel dual-channel promotion platform with the *Rating Standards for Technical Personnel*

Encouraging all employees to improve equipment technology and designing the *New Measures for DMEGC's TQM Suggestions*

Supporting and promoting the development of industry-university-research projects and formulating the *Measures for the Management of Laboratory Open Fund*

DMEGC measures to stimulate innovation

Joint innovation platform

Insisting originality, the Company seeks innovation based on introduced ideas and collaboration. While making innovations within the Company, we bring together internal and external resources and set up annual open funds to support basic research and applied research. An innovation cooperation alliance was founded in partnership with famous universities and institutes at home and abroad. In this way, we strengthen industry-university-research cooperation with Ningbo Institute of Materials Technology & Engineering of CAS, Zhejiang University, University of Electronic Science and Technology of China, and other research institutes to improve our R&D capabilities.



Cooperating with Zhejiang University to develop a solar-powered denitrification system for wastewater

To treat wastewater generated from single-crystal silicon and polysilicon production in photovoltaic parks, the Company has cooperated with the College of Environmental and Resource Sciences of Zhejiang University to develop the Anbon biological denitrification process in response to the concept that lucid waters and lush mountains are invaluable assets. We have become the first company in the photovoltaic industry to adopt facilities that remove nitrate nitrogen from wastewater through a biological process. Since the process is successful, it has been swiftly promoted in the photovoltaic industry, becoming a standard option for photovoltaic enterprises.

Innovation achievements

Aiming for self-dependent innovation, we harness our sound innovation system and improve our R&D capabilities. We master the core technologies in key fields to ensure that they are controllable so that our customers can have access to more intelligent and greener solutions.



By the end of 2022, we had won 5 China Patent Excellence Awards, 1 Second Prize of the National Science and Technology Progress Award, 1 Second Prize of the National Invention Award, and led or participated in the formulation of 43 standards, including 14 IEC international standards, 10 national standards, 9 group standards, and 10 industry standards.

| | 2020 | 2021 | 2022 |
|---|------|------|------|
| R&D investment (RMB 100 million) | 3.9 | 6.03 | 9.39 |
| Number of patent applications | 317 | 354 | 398 |
| Number of patent authorized | 152 | 238 | 263 |
| Provincial-level new product identification | 11 | 9 | 12 |

Pursuing Best Quality

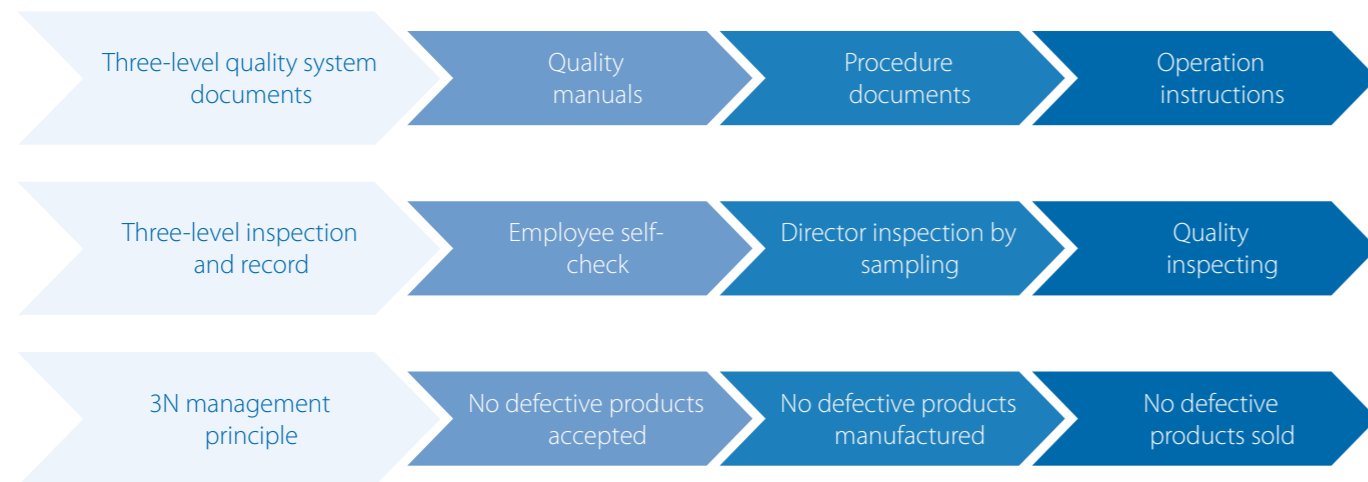
Chasing for high quality and high efficiency, DMEGC guarantees product quality through innovation in technologies, processes, and management. The Company continues to promote performance management, Six Sigma, quality control, delicacy management, 5S management, improve systems and processes regarding control, confirmation, improvement, and resource support, and strengthen the quality management system.



Quality certifications for DMEGC

Quality management system

The Company continues to improve the quality management system, strictly implement the requirements specified in quality manuals, procedure documents, and instruction documents, and establish a three-level inspection and record system consisting of employee self-inspection, director sampling inspection, and special quality inspection to ensure that defective products are not sold thus improve overall product quality.



Quality Management System

Special campaign

We never stop improving ourselves. The company applies the PDCA (planning, doing, checking, and acting) management cycle, organizes diverse internal QC group activities, carries out “quality month” events, enhances publicity, education, and skill competition, and inspects the implementation of measures to handle customer complaints. Through our efforts, we improve the quality awareness of all employees and the skill of quality personnel. In 2022, we participated in the Zhejiang Quality Association QC competition and won a second prize and a third prize respectively.

Product quality training

Through product quality training courses such as the DMEP potential workshop director class and Six Sigma, the DMEGC Institute of Management enhances the skills and quality awareness of all employees.

Key performance in 2022

A total of **38** quality courses, including DMEP training, Six Sigma, and new recruit orientation were held for **1,786** participants, lasting **4,601.5** hours.

Exploring Smart Manufacturing

Seeking high-quality growth, we embraced digitalization in all aspects in 2022 and explored a new path to integrate technology into manufacturing. As we ramp up investments in magnetic materials and new energy, we continue to build digital, intelligent, and eco-friendly factories in different industries and develop a new model of intelligent manufacturing. Gradually, big data, IoT, cloud computing, AI, 5G, and other technologies are put into intelligent production. Product lifecycle management (PLM), manufacturing execution system (MES), enterprise resource planning (ERP), and supply chain management (SCM) are integrated to build a vertical and networked production line for cells.

The "factory of the future" model makes production and operation smarter

The smart battery factory invested by DMEGC in 2020 was certificated as one of the first “factories of the future” in Zhejiang Province. Since then, at each new factory, the Company has optimized the overall logistics, production lines, transport, and other modules with the help of the 5G industrial Internet, intelligent factory brains, AI intelligent security system, automated guided vehicles (AGV), six-axis robots, and industry-leading assembly lines. By doing so, we fully realize automated, IT-based, and digital production and warehousing, improving per capita annual output to around RMB 12 million.



Factory of the future

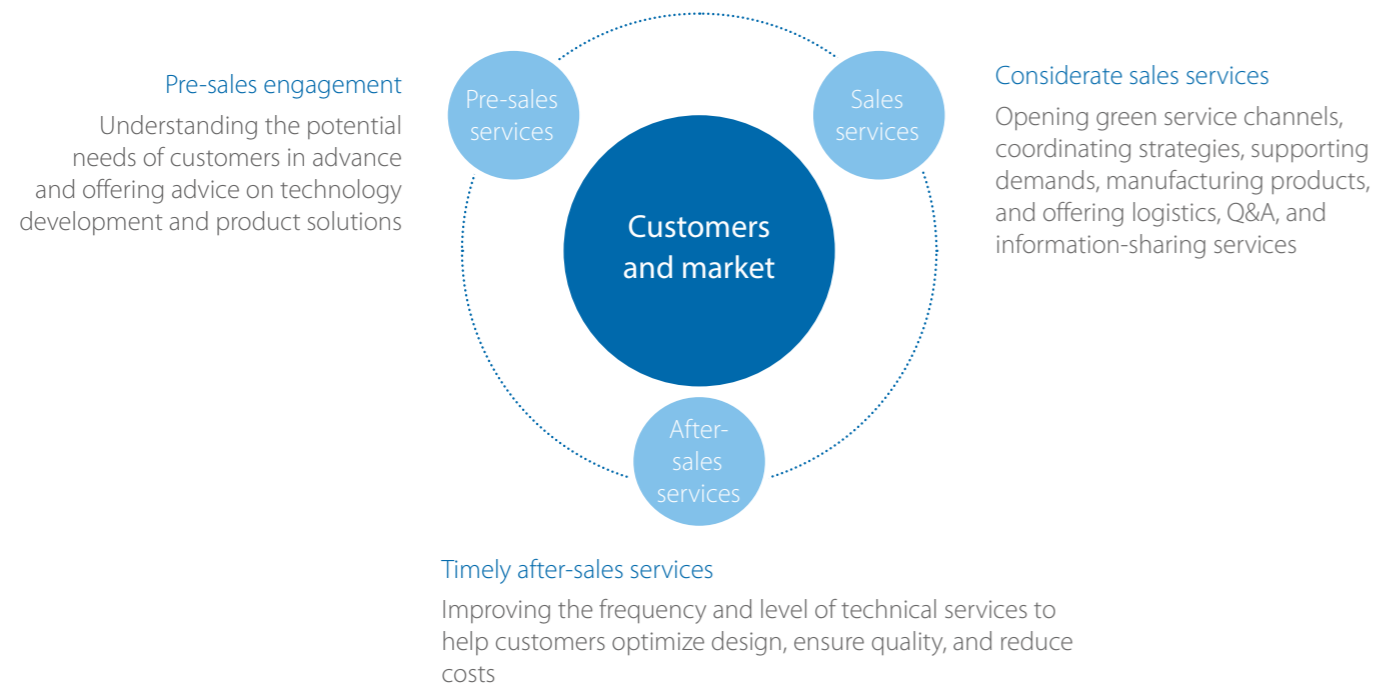
Optimizing Customer Services

Putting customers first, DMEGC keeps improving marketing services, expanding globally, and offering better products, communication, and services to satisfy our customers.

Market services

The Company has established a global logistics, sales, and service network to serve customers worldwide. In China, we have set up international departments for magnetic materials and devices and for new energy. For key overseas markets, we have our own local marketing teams. Collaboration between external and internal members and flexible office hours help customer service personnel overcome barriers in languages and culture as well as time differences. We have established a 360-degree marketing service system to help customers understand products better and solve problems in a timely manner before, during, and after sale.

360-degree Marketing Services



Customer satisfaction

Both of domestic and international teams are regularly trained for maintaining the cooperation and consistency of standards. We update information about research and development, technologies and marketing timely to make sure that the latest news of company could be efficiently deliver to our international clients. We also periodically visit clients or conduct the satisfaction survey, investigate the issues occurred during the cooperation and implement the improvement measures.



Developing differentiated products for the European market

Our fieldwork has found that roofs in northern Europe tend to be black and gray, and local residents hope that photovoltaic modules installed on their roofs can fit with their roof colors. Therefore, in 2013, we started to develop all-black modules. Through the improvement of batteries, module materials, matching, and process control, we had the ability of mass-production of all-black modules, which were then marketed to the Netherlands, France, Germany, and other regions. In particular, the Dutch residential market share exceeds 50% with good comments from customers.



Self-developed black components in overseas projects



DMEGC recognized as the AP Best Supplier by BOSCH

In November 2022, DMEGC was honored as the BOSCH AP Best Supplier. As a global strategic partner and the largest supplier of magnetic materials of BOSCH, DMEGC meets BOSCH's management requirements such as quality first, technology leadership, lean processes, and standardized procedures to ensure stable technology, quality, cost, delivery, and services across the world.



Customer rights and interests

To protect customers' rights and interests, the Company has formulated documents such as *Customer Communication Control Procedure*, *Customer Satisfaction Evaluation and Control Procedure*, and *Customer Special Requirements Management* to ensure their rights and interests, services, and privacy. We have insured our photovoltaic products, Li-ion batteries, and magnetic materials against product liability. When it comes to trade secrets, we always sign non-disclosure agreements (NDA) with customers to protect their rights and interests.



Supply Chain Optimisation

On the path of sustainable development, the sustainable development of an enterprise is inseparable from the support of its partners. To promote the common development of the industry chain, we are committed to establishing a healthy and sustainable partnership with suppliers and strengthening their sense of responsibility on procurement and management, working together to create a responsible industry chain.

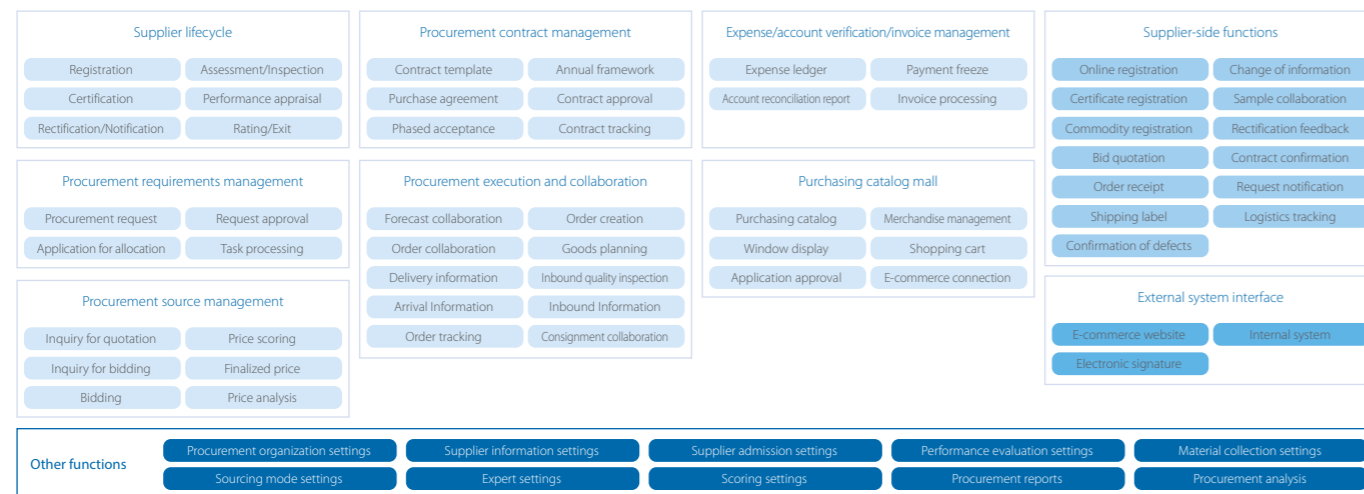
UN 2030 Sustainable Development Goals (UN SDGs)



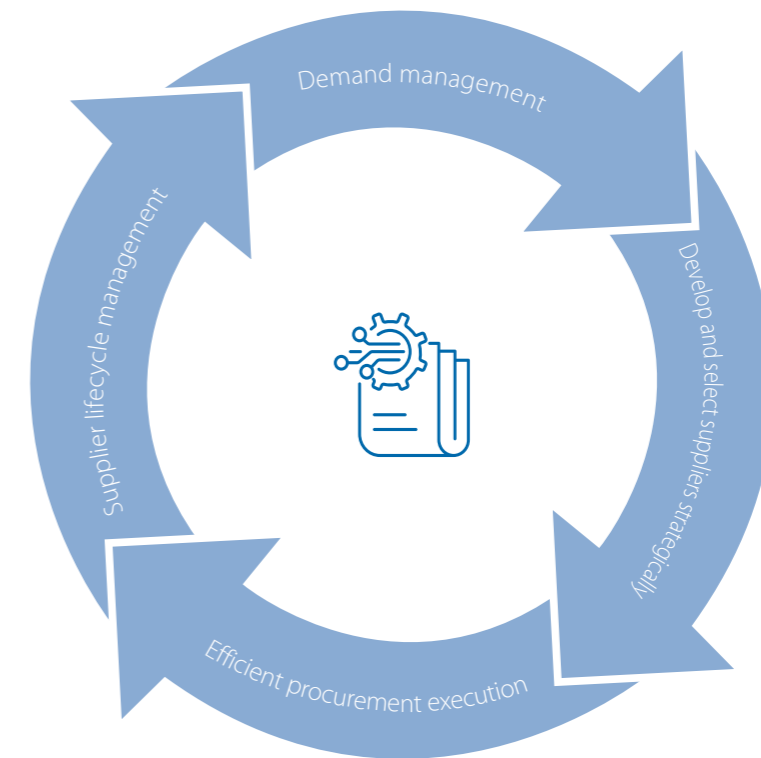
Regulating Procurement Management

Adhering to the procurement value of “integrity, collaboration, initiative and efficiency” and the 5R principle of “right quality, right quantity, right price, right time, right place”, we are committed to building a high-performance procurement system platform, creating a virtuous closed management from demand management, strategic sourcing, procurement execution to supplier performance management. Our vision on procurement is to build such a platform to provide DMEGC with on-time, high-quality, and low-cost materials and services to enhance customer satisfaction and our core competitiveness.

To continuously standardize procurement management, we have formulated more than ten policies, including the *Supplier Management Policy*, the *Three-link Management Policy of Procurement*, and the *Bidding Management Rules*, to regulate supplier access mechanism, promote standardization and optimize bidding management. Besides, we introduce SRM (Supplier Relationship Management) and WMS (Warehouse Management System) to refine supply chain management, and SQE (Supplier Quality Engineer) to enhance the management and product quality of suppliers. We pay attention to supply chain finance and supply chain collaboration and foster green procurement concept in the industrial chain to help suppliers improve their core competitiveness in the market, further promoting the sustainable development of industrial chain and reducing business development risks.



SRM Business Module



Procurement team construction

To ensure the compliance of the procurement team in their daily business, we require all suppliers to sign the *Supplier Integrity Commitment* and regulate the buyers' basic conduct of “Ten Permits and Ten Prohibitions” based on the *Gift and Gratuity Handover Management* and *Basic Code of Conduct for Buyers*. We also regulate the anti-monopoly and anti-unfair competition measures to build a good foundation for the culture of cleanliness.



Organizing procurement staff to learn relevant laws and regulations

Strict access mechanism

DMEGC has formed a closed management from supplier development, selection, cooperation, performance evaluation to supplier elimination. After each department raise the demand for new supplier development, the purchasing department will conduct credit investigation to strictly evaluate the supplier capacity, industry positioning, product quality, etc., and finalize the supplier after small sample and medium batch measurement. Furthermore, the department will also conduct monthly performance evaluation on suppliers' development to ensure DMEGC's smooth operation.

Improving evaluation system

We conduct comprehensive evaluation of suppliers on four aspects (quality, price, delivery, and service) every month to provide data for supplier qualification evaluation, procurement ratio and supplier improvement, etc. If non-conformity comes up in the supplier audit and cooperation, it will be handled in strict accordance with the *Supplier Management Policy*.

Key performance in 2022

Supplier assessment results: **507** suppliers assessed, with **97** rectification notices, **3** suspensions, and **3** in the blacklist

| Level | Score | Result |
|-------|--------|---|
| A | 91-100 | Excellent suppliers; procurement from them can be increased, payment is made on time, and their priority is at the top when adjusting eligibility |
| B | 76-90 | Suppliers meet minimum requirements, and no priority is given when adjusting eligibility |
| C | 60-75 | Suppliers are sent a rectification notice, and their supply will be limited or suspended with possible payment delay |
| D | <60 | Suppliers are required to rectify their behavior before the deadline. Their supply is limited or suspended with possible payment delay. A supplier rated at D three times in a row will be eliminated and blacklisted |

DMEGC Supplier Evaluation Standards

Guiding Behavioral Norms

DMEGC guides suppliers to regulate their own behavior by signing agreements, declarations, and commitments with them. We make clear regulations for supplier in various aspects, including the protection of employees' rights, conflict minerals, hazardous substances use, environment protection and compliance. They are required to strictly comply with applicable laws and regulations, fulfill their social responsibilities, and promote the sustainable development of the industry. Going forward, we will further improve the traceability system of upstream supply chain to ensure the fulfillment of social responsibility in the whole supply chain system.

Suppliers' employee rights protection

Suppliers are required to avoid child labor, forced labor, discrimination, abuse and harassment in their annual supply contracts. The treatment and work safety of supplier employees must comply with national and local laws and regulations.

Conflict minerals management

We require suppliers to sign a declaration of non-use of conflict minerals and ensure there is no metals in products or parts delivered to DMEGC are derived from conflict minerals. We endeavor to establish a set of regulations on conflict minerals, including policy, management, and investigation framework, that is consistent with the laws and guidelines published by relevant agencies. Those regulations are applicable to suppliers as well.

Hazardous substance use management

We require suppliers to guarantee not to use hazardous substances and ensure the parts, components, materials and finished products they provide are in accordance with our procurement standards, the EU RoHS Directive, HF Requirements, REACH Regulations and SVHC List.

Empowering Partners

In long-term and stable cooperation with our suppliers, we pay attention to their needs, make immediate communication and information exchange with suppliers, and takes into account their reasonable profitability and sustainable development while ensuring our own economic benefits. The close tie with suppliers ensures the safety and stability of the Company's supply.

Supplier social responsibility training

To raise suppliers' awareness of responsibility and ensure their supply, DMEGC provided assistance, guidance and consulting services to some suppliers on demand.



DMEGC No. 7 Solar Cell Factory



Staff, Community and Public Welfare

Common prosperity is the essential requirement of socialism and the common expectation of the people. While ensuring our high-quality development, we actively fulfill our social responsibility and share the development results with the employees and the society to promote the harmonious development of the society.

UN 2030 Sustainable Development Goals (UN SDGs)



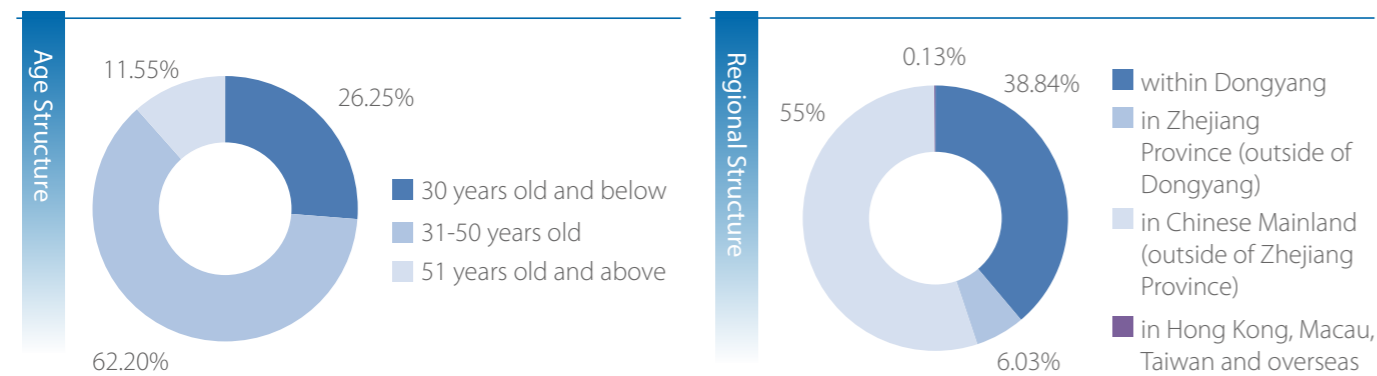
Protecting Employee Rights

DMEGC pursues an open and equal employment policy, strictly abiding by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the international labor laws, the labor standards in different regions in which branches and subsidiaries located and other relevant laws and regulations. We formulate a series of personnel management systems such as the *Employment Policy for New Workers* and *Management Policy for Position Sequence*. We aim to eliminate the employment of child labor and forced labor and establish a sophisticated human resource management system to respect and protect the basic rights of employees.

Key performance in 2022

40 quality talents employed

883 people with college degrees or higher employed, including **45** people with master's degree or higher



Compensation and benefits

The Company establishes a systematic and comprehensive salary and welfare system. We not only provide employees with regional competitive salaries, but also pay social insurance for all employees in accordance with the law, realizing full coverage of pension, medical, unemployment, work injury and maternity insurances. In addition, we provide employees with medical mutual insurance. The representatives of labor union sign collective contracts with the Company.

Key performance in 2022

100% labor contract signing rate

100% social insurance coverage rate



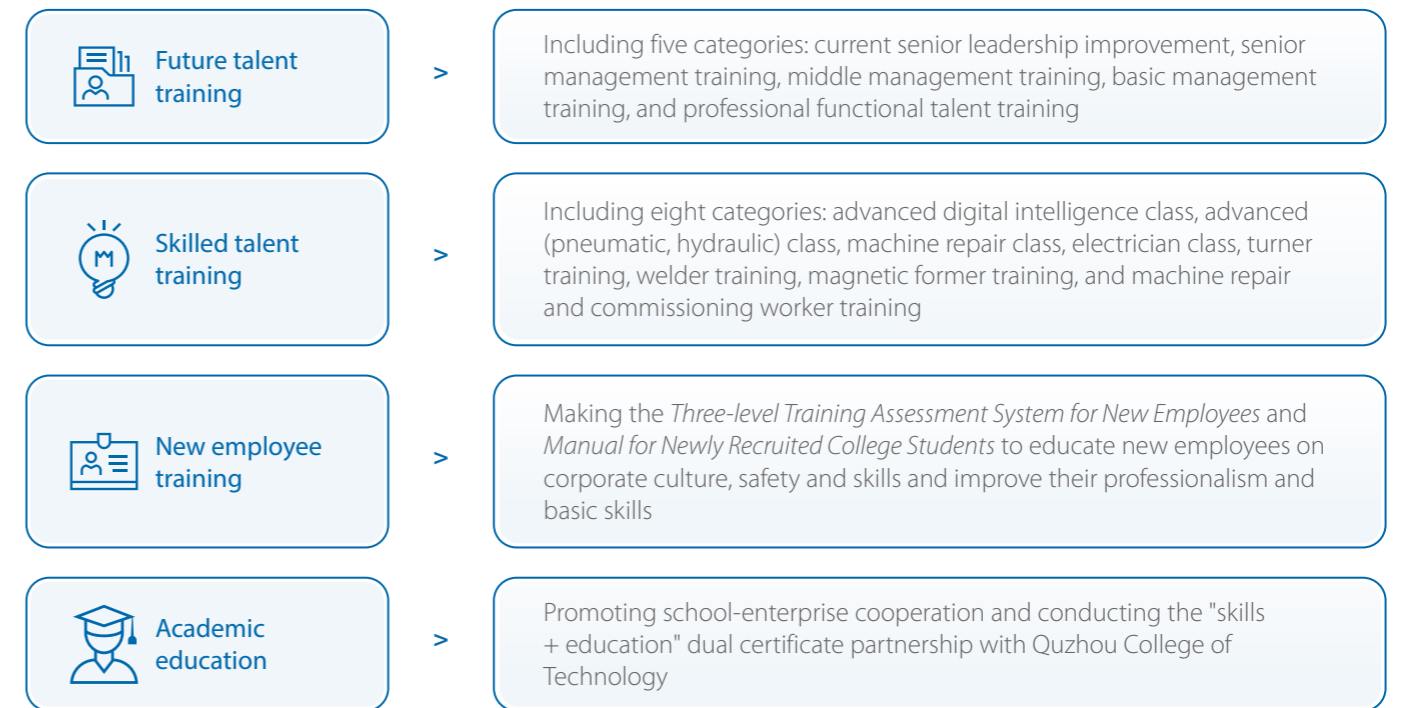
Foreign Affairs Office of the Jinhua Municipal People's Government and international students from Zhejiang Normal University practicing in DMEGC

Empowering Employee Development

We actively cooperate with universities and have signed school-enterprise cooperation agreements with Tsinghua University, Zhejiang University, Zhejiang University of Technology, Zhejiang Normal University and other universities. We develop curriculum, carry out the construction of internship training bases, and build a high-level teaching team together with these universities. We continue to explore the integration of internship and employment and help interns transit seamlessly to strengthen our talent team.

Employee training

To meet the development needs of employees, we have set up DMEGC College of Management for reserve talent training, skilled talent training, new worker training and academic education, providing employees with diverse and efficient training courses to improve their professional skills.



Four Directions of the DMEGC Institute of Management

To improve employees' skills, we actively carry out special training programs, including Huangpu Program, Fledgling Program, Eagle Program, DMEP reserve manager training, and continuously promote on-the-job training through apprentice program and tutorial system. We also regularly carry out skill competitions among employees to evaluate their skills and reward them with skill allowance in hope of boosting their work motivation.



Closing ceremony of senior fitters and electricians



Advanced electrician certification site

Key performance in 2022

455 training sessions for reserve talent training, skilled talent training

and academic education with

20,685 participants

2 sessions of new worker training

with **5,958** participants

for **8,955** training hours

To improve the training quality, we continue to innovate in training methods and vigorously promote Six Sigma management. We also make full use of the mobile learning mode of DMEGC Online School, add online course of Special Financial Training Camp and Marketing Management Workshop, and conduct online exams to measure employees' knowledge.

Teachers pass on experience to their apprentices



Since an apprenticeship program is an important way to pass on skills to employers, DMEGC has been carrying out relevant activities for many years. In 2022, to enhance the employees' skills, the Company held the competition among teachers in which the outstanding ones were commended. The competition has given full play to the talent effect, enhanced employees' initiative and promoted DMEGC's development.



The outstanding teacher

Career advancement

DMEGC focuses on creating a fair and open competition mechanism. Upholding the talent selection concept of "survival of the fittest" and the fair and open selection and evaluation principle, we have developed the *Management Policy for 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 the key management positions.

Striving to build a step-by-step training model for talent, we have provided employees with dual career ladder with both horizontal and vertical development and offered career development opportunities for technical staff to promote their career development and improve their qualification standards.

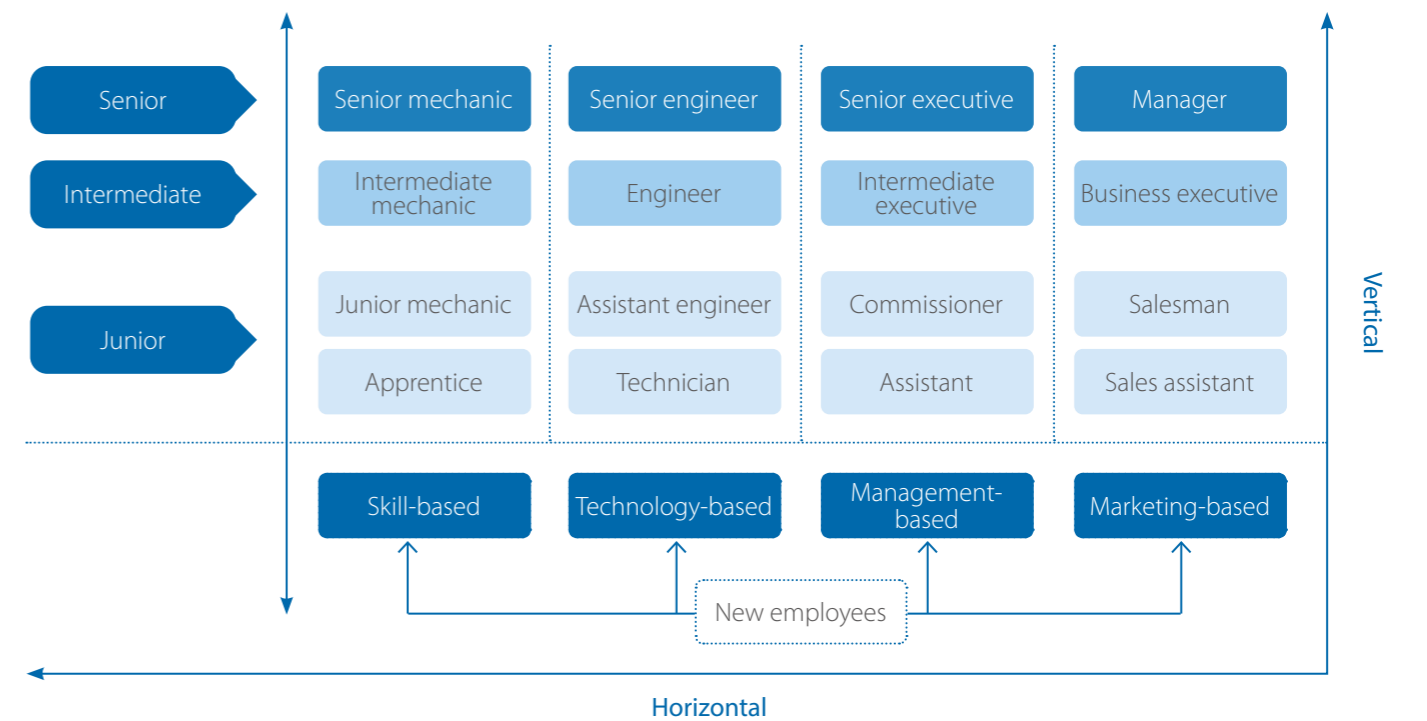
Key performance in 2022

1 person awarded the 2022 Dongyang Model Worker

1 person awarded the honorary title of Zhejiang Golden Blue Collar

2 people awarded the Zhejiang Craftsmen

3 people selected for the 2022 Jinhua Goldsmith Training Project



DMEGC Employee Career Development Path

Safeguarding Employees' Health

The Company continuously improves the health management policy to protect the employees' health and safety and boost their happiness. We attach great importance to employees' occupational health and carry out safety production management. For work safety, we conduct not only safety inspections of our subordinate units every week and before holidays, but also special inspections and remediation as planned. For their occupational health, we arrange pre-employment health checkups for employees, with yearly checkups for employees in high-risk positions, two-yearly checkups for all employees, and two-yearly special checkups for female employees.

Key performance in 2022

The honorary title of Dongyang Model Enterprise in Occupational Health was awarded by the Dongyang Health Bureau and the Dongyang Federation of Trade Unions



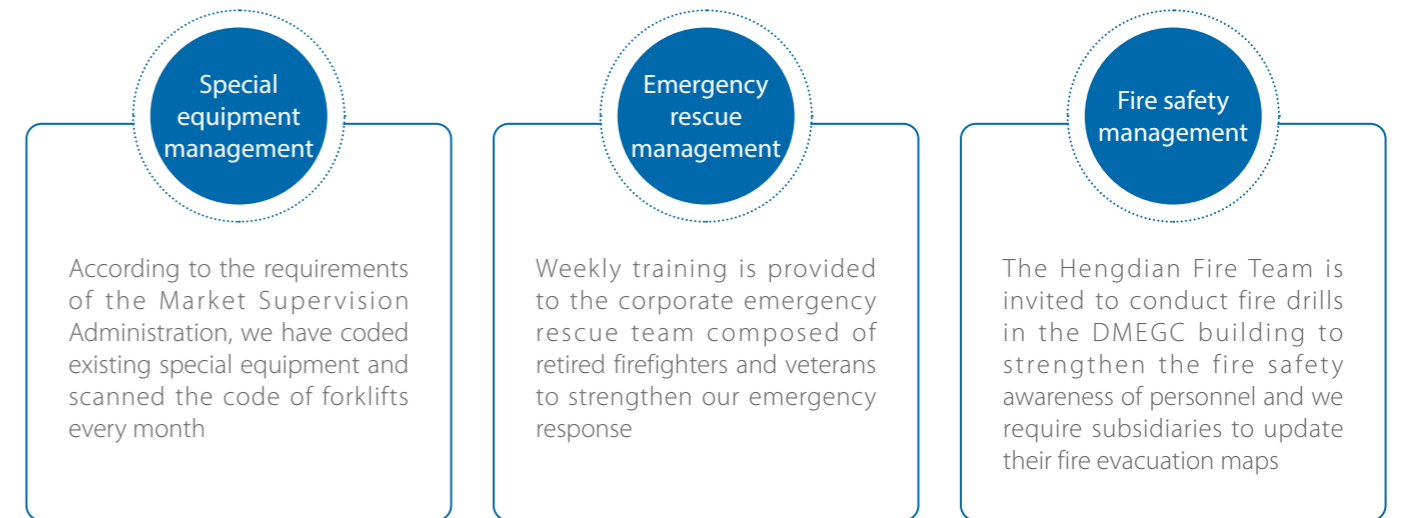
Arrangements of Health Examinations for Posts that May Incur Occupational Diseases

Providing Safe Environment

A safe environment is a stabilizer for employees. Focusing on the capacity building of work safety management, we carry out risk factors assessment every year in addition to various forms of safety training to provide a safe working environment for employees.

Work safety

We build a safety structure led by the work safety committee and the sub-committee of each business unit. We improve the safety management policy and strengthen safety risk management through such measures as safety performance assessment, safety training, emergency rescue management to ensure basic safety and formulate the safety management policy in each factory. Besides, we take robust measures to promote the capacity building of work safety management, including emergency rescue management, special equipment management, and fire management, to improve safety in the workplace.



DMEGC Work Safety Management Capacity Building

Key performance in 2022

| | | |
|--|---|---|
| 29 people got certificates during the exams organized for workers of special equipment safety management and forklift operators | 100% annual inspection rate of special equipment | 100% signing rate of work safety responsibility letter |
|--|---|---|

1,119 work safety training sessions held with **120,026** participants for **180,126** training hours

Safety training

The Company makes training plans based on the safety management policy of “emphasizing safety and prevention in comprehensive management”. We organize regular training on occupational health management for employees in charge and occupational health management personnel to help them get familiar with laws and regulations on occupational disease prevention and control. Apart from that, we also, in accordance with the law, carry out occupational disease prevention and control as well as pre-service and in-service occupational health trainings. Furthermore, we improve employees’ safety awareness, professional knowledge, and emergency skill through various trainings such as Special Operation Training and Ambulance Certificate Training. In 2022, the Dongyang Red Cross Society conducted two training sessions along with examinations for employees, with 239 employees finally obtaining the Certificate for Red Cross First Aider.



Fire safety training

Caring for Employees’ Life

Listening to employee voice

DMEGC values employee voice. We create communication channels for employees, such as general manager’s mailbox, labor dispute mediation committee, Party organization, labor union and female workers’ committee, and give full play to the pivotal role of each organization. In 2022, we held 10 employee representative symposiums, inviting more than 400 employees and collecting nearly 300 suggestions with 20 different categories. Meanwhile, we also conducted three employee satisfaction surveys about canteen, dormitory and activity venue respectively, collecting nearly 1,100 questionnaires of which 94% were satisfied. By doing so, we can understand employees’ needs and take measures to address their concerns.



Symposium for front-line employee representative symposium



Symposium for plant manager / technical worker

Enriching employees’ life

We stress the importance of improving the quality of employees’ spare time and aim to build an excellent and vibrant community at work. We enrich employees’ leisure time and deliver care and warmth to them through various activities, including sending “coolness” activity, employee family day, National Day “flash mob”, gas volleyball game, basketball game and cross-country running.



The six-km co-ed running competition at Huxi, Dongyang



The basketball game



The subsidiary held a reading contest entitled "Carry forward the May Fourth Wind with the Self of Youth"



Indian employees celebrate Diwali



"Family Day"campaign

On August 3, 2022, DMEGC held a "Family Day" campaign for employees and their families from outside of Zhejiang Province. More than ten families visited the DMEGC No. 7 Solar Cell Factory, watched DMEGC's promotional videos and performances, and engaged in several parent-child bonding activities. The activity can not only create an opportunity for employees and their families to spend quality family time together, but also deliver warmth to employees and ease their mind.



"Family Day" campaign

Caring for female employees

The Company fully protects the rights of every female employee. We organize medical checkups for female employees on a regular basis, carry out the activity to care for women's health and to offer medical support for those with cervical and breast cancers, and provide them with Women Group Health Insurance covering certain gynecopathies. We also mobilize female employees to study the laws and regulations regarding to the protection of female employees' rights. We respond promptly to the problems encountered by female employees in their lives. In addition, we have formulated an anti-discrimination policy for female employees to deal with pressure and discrimination at work. We also focus on the female leadership, and retain the original positions and compensations for returning female employees after childbirth.



2022 International Women's Day celebration

Assisting employees in need

We pay attention to the special needs of the disadvantaged employees and have set up welfare enterprises to create employment opportunities for people with disabilities. Presently, we have 54 employees with disabilities. We have also established a mutual aid association to aid employees with difficulties. By the end of 2022, we had assisted more than 400 employees with a total amount of nearly RMB 3.5 million.



Visiting employees in difficulty

Prospering with the Community

Long-term support for social charity is essential for DMEGC to fulfill corporate social responsibility. While focusing on our high-quality development, we actively promote our public welfare cause, making solid progress towards a society with common prosperity.

Carrying out volunteer services

To give back to the society, we actively pay attention to people’s needs and address their problems. We take practical actions and carry out voluntary services in which we encourage employees to engage. We use practical action to spread love, warm the heart.

Key performance in 2022

More than **400** volunteers were organized to support the prevention and control of COVID-19



Public welfare cleaning activity

Contributing to common prosperity

Key performance in 2022

899 new employees from the central and western regions, including Yunnan, Sichuan, and Guizhou Province, with the payroll of approximately RMB **51** million

A total of **2,705** employees from the central and western regions with the payroll of approximately RMB **202** million by the end of 2022

The honorary title of 2022 Jinhua Leading Enterprise in Common Prosperity

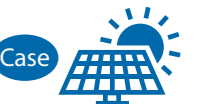
We employ workers from the central and western regions and build production bases in those regions to promote the collaborative development in the country. Since some employees are unskilled and undereducated, we help them create career development plans through knowledge investigation, academic education, pre-job training and apprentice program. At the same time, a targeted employee is jointly supervised by a Party member and a tutor, with the former paying close attention to his/her ideological dynamics while the latter focusing on skill improvement.

We continue to explore the intelligent and digital upgrading of the industry and share the results with the world. In 2022, we received 172 factory visits with a total of 2,397 visitors and guided the surrounding enterprises to upgrade their manufacturing, thus promoting the high-quality development of the community and the industry.

Adhering to the responsibility concept of “revitalizing local economy and repaying society”, we make full use of our professional advantages and put our focus of public welfare undertakings on local economy, industry development, public facilities, environment, and philanthropy to effectively carry out relevant activities.

Based on our high-quality development, we actively contribute to the local development and improve public services to promote Dongyang’s rural vitalization and to achieve common prosperity in the countryside. DMEGC has embarked on a road of promoting common prosperity in rural areas with high-quality development of enterprises.

DMEGC helps Yujia Village move towards common prosperity with a vitalization project



DMEGC supported Yujia Village, Zuocun, Dongyang, with a vitalization project. On November 4, 2022, the Company sent Guo Xiaodong, Deputy Secretary of Party Committee and Deputy General Manager of DMEGC, to carry out the project—“100 regiments uniting 100 villages” to promote common prosperity in Yujia Village. We aim to improve the village collective economic organization system, optimize income structure, standardize financial management and establish long-term mechanism to promote the development of the village through partner assistance.



Support surrounding communities, rural development, and landscaping



Vision in 2023

In 2023, as a leading national high-tech company, DMEGC will continue to harness our global market, embrace changes, and uphold the strategy of high-quality and efficient growth. Pivoting around a sustainable future, we will work with stakeholders to explore a sustainable development path that helps address global challenges.

We will improve the corporate governance structure. Since the sound operation is the foundation of sustainable development, DMEGC will stick to compliance, better corporate governance, establish a corruption prevention system, and improve CSR management. These efforts will ensure sound operation and create value for shareholders.

We will implement the concept of green development. Committed to green development, DMEGC will improve the environmental management system throughout the life cycle of products and conduct environmental protection activities to help achieve China's dual carbon goals, conserve biodiversity, and minimize the negative environmental impact of our business activities.

We will fulfill our social responsibility. DMEGC will respect the values and needs of employees, ensure safe production and a healthy working environment, try our best to help employees, and encourage innovation so that the Company will prosper together with employees. In addition, we will support community development through non-profit projects to resolve social issues and build a better community with stakeholders.

At a new starting point, DMEGC will remain devoted in our corporate responsibilities, shape our competitive advantages through innovation, and channel more resources into high-tech strategic industries and projects. Through these efforts, we aim to contribute to local employment and taxation, build world-leading competitiveness, and inject strong vitality into regional economic and social development.

Appendix

Key Performance

| Topics | Indicators | Unit | 2020 | 2021 | 2022 |
|---------------------------|---|-------------|--------|--------|--------|
| Economic | Total assets | RMB billion | 10.001 | 12.892 | 17.610 |
| | Net assets attributable to shareholders of listed companies | RMB billion | 6.012 | 6.730 | 7.750 |
| | Revenue | RMB billion | 8.106 | 12.607 | 19.451 |
| | Net profit attributable to shareholders of listed companies | RMB billion | 1.014 | 1.120 | 1.669 |
| | Operational cash flow | RMB billion | 1.197 | 1.285 | 2.887 |
| | Total tax | RMB billion | 0.544 | 0.658 | 0.845 |
| | Basic earnings per share | RMB/share | 0.62 | 0.69 | 1.03 |
| | Weighted average return on equity | % | 18.02 | 17.75 | 23.29 |
| Governance | Compliance management | | | | |
| | Compliance training | times | 8 | 7 | 7 |
| | Risk management training | times | 7 | 9 | 11 |
| | Anti-corruption and integrity training | times | 8 | 10 | 13 |
| Social | Customer & Technological innovation | | | | |
| | R&D investment | RMB billion | 0.39 | 0.603 | 0.939 |
| | Number of patent applications | - | 317 | 354 | 385 |
| | Number of patent authorized | - | 152 | 238 | 260 |
| | Standards that DMEGC led or participated in the formulation (including in progress) | - | 30 | 33 | 43 |
| | Intellectual property protection training session | time | 8 | 8 | 10 |
| | Provincial-level new product identification | - | 11 | 9 | 12 |
| | Contract fulfillment rate | % | 100 | 100 | 100 |
| | Supplier | | | | |
| | Number of cooperative suppliers | - | 548 | 664 | 549 |
| | Number of suppliers passing the review | - | 131 | 131 | 148 |
| | Number of suppliers passing social responsibility audits | - | 35 | 85 | 92 |
| Supplier training | times | 2 | 52 | 55 | |
| Employee | | | | | |
| Total number of employees | - | 14,468 | 15,269 | 16,121 | |

| Topics | Indicators | Unit | 2020 | 2021 | 2022 | |
|--|---|-------------|------------|------------|-----------|--|
| Social | Proportion of female employees | % | 44.94 | 43.86 | 43.06 | |
| | Proportion of women in senior management | % | 16.22 | 16.22 | 17.14 | |
| | Labor union membership rate | % | 100 | 100 | 100 | |
| | Total wages and other labor remuneration paid | RMB billion | 1.319 | 1.628 | 1.823 | |
| | Occupational disease incidence of employees | % | 0 | 0 | 0 | |
| | Total investment in employee training | RMB 10,000 | 164.57 | 181.84 | 266.64 | |
| | Total participants of employee training | / | / | / | 144,429 | |
| | Total training hours | hours | / | / | 234,882 | |
| | Social welfare | | | | | |
| | Investment in rural vitalization | RMB 10,000 | 13,522.87 | 19,291.15 | 20,203.95 | |
| | Number of volunteers | - | 420 | 420 | 420 | |
| | Number of charitable activities | - | 1 | 3 | 4 | |
| | Number of employees volunteers | - | 150 | 507 | 640 | |
| | Number of charity recipients | - | 78 | 75 | 66 | |
| | Environmental protection operation | | | | | |
| Total investment in environmental protection | RMB 10,000 | 5,362.6 | 7,230.4 | 9,689.9 | | |
| Major environmental violations | times | 0 | 0 | 0 | | |
| Hazardous waste management training | times | 85 | 43 | 76 | | |
| Energy | | | | | | |
| Energy consumption | tce | 120,373.98 | 150,181.06 | 167,541.56 | | |
| Electricity consumption | MWh | 608.5110 | 771.4646 | 960.4987 | | |
| Water consumption | 10,000 tons | 322.02 | 369.40 | 422.07 | | |
| waste | | | | | | |
| Total hazardous waste | ton | 303.01 | 323.70 | 358.76 | | |
| Total non-hazardous waste | ton | / | 22,739.89 | 34,773.85 | | |
| Waste recycling rate | % | / | 69.67 | 73.23 | | |
| GHG emissions | | | | | | |
| CO ₂ emissions | ton | 432,399.51 | 627,615.24 | 755,416.72 | | |
| Direct (Scope I) GHG emissions | tCO ₂ e | 65,795.28 | 85,154.31 | 78,437.81 | | |
| Direct (Scope I) GHG emission intensity | tons/RMB million | 8.12 | 6.76 | 4.03 | | |
| Indirect (Scope II) GHG emissions | tCO ₂ e | 421,923.37 | 542,460.93 | 676,978.90 | | |
| Indirect (Scope II) GHG emission intensity | tons/RMB million | 52.05 | 43.03 | 34.79 | | |

Index

| | Catalogue | CASS-ESG5.0 | GRI Standards |
|--------------------------------------|--------------------------------------|---|---|
| About DMEGC | About This Report | P2.1 P2.2 | 2-14 2-17 2-22 |
| | Board Statement | P1.2 P1.3 | 2-2 2-3 |
| | Corporate Profile | P4.1 P4.2 P4.3 P4.4 G3.10 G3.11 | 2-1 2-2 |
| | ESG Management | G2.1 G2.3 G2.4 G3.1 G3.2 G3.3 G3.8 | 2-11 2-12 2-13 2-14 2-17 |
| | Material Topics | G3.5 G3.6 | 2-16 3-1 3-2 3-3 |
| Corporate Governance | Stakeholder Communication | G3.6 G3.7 | 2-16 2-29 |
| | Optimizing Governance Structure | G1.1 G1.2 | 2-9 2-10 2-11 2-12 2-13 2-14 2-17 405-1 |
| | Improving Compliance Risk Management | G1.3 G1.4 G1.5 G1.6 G1.7 G1.8 G1.9 | 205-1 205-2 205-3 |
| | Protecting Shareholders' Rights | G1.10 G3.6 G3.7 | 2-29 |
| Sustainability and Green Environment | Deepening Environmental Management | E1.1 E1.3 E1.4 E1.5 E1.6 E1.7 E1.9 | 306-2 |
| | Improving Resource Utilization | E1.2 E2.1 E2.2 E2.3 E2.9 E2.11 E2.12 | 302-1 302-4 302-5 303-5 |
| | Controlling Pollution and Waste | E3.1 E3.2 E3.3 E3.4 E3.5 E3.6 E3.7 E3.8 E3.10 | 303-1 303-2 303-4 306-1 306-3 306-4 306-5 |
| | Addressing Climate Change | E1.8 E2.4 E2.5 E2.6 E2.7 E2.8 E2.14 | 301-3 304-1 305-1 305-2 305-4 305-5 305-7 |
| Innovation with customer-orientation | Technological Innovation | V1.2 V2.1 V2.2 V2.3 V2.4 V2.5 V2.7 V2.8 | 2-19 203-1 |
| | Pursuing Best Quality | S4.1 S4.2 | 404-2 |
| | Exploring Smart Manufacturing | V2.2 V2.4 | |
| Supply Chain Optimisation | Optimizing Customer Services | S4.3 S4.5 S4.6 S4.7 | 418-1 |
| | Regulating Procurement Management | S5.1 S5.2 S5.3 S5.4 S5.5 | 204-1 206-1 308-1 414-1 |
| | Guiding Behavioral Norm | S1.1 | 409-1 412-1 412-3 |
| Staff, Community and Public Welfare | Empowering Partners | S5.6 V2.5 V2.6 | |
| | Protecting Employee Rights | S1.1 S1.2 S1.3 S1.4 S1.6 S1.7 S1.8 | 401-1 401-2 401-3 405-1 408-1 409-1 |
| | Empowering Employee Development | S2.1 S2.2 S2.3 S2.4 | 404-1 404-2 404-3 |
| | Safeguarding Employees' Health | S3.1 S3.2 | 403-1 403-2 403-3 403-4 |
| | Providing Safe Environment | S3.4 S3.5 S3.6 S3.7 S3.8 S3.9 | 403-5 403-6 403-7 403-8 |
| | Caring for Employees' Life | S1.10 S1.11 | 406-1 |
| Appendix | Prospering with the Community | V1.1 V1.2 V1.3 V1.4 V3.1 V3.4 V3.5 V3.6 V3.7 | 413-1 |
| | Vision in 2023 | A1 | 102-14 102-15 |
| | Key Performance | A2 | |
| | Index | A4 | |
| | Assurance Statement | A3 | 2-5 |
| | Feedback | A5 | |

Assurance Statement



Assurance Statement of ESG Report

TUV NORD (Hangzhou) Co., Ltd ('TUV NORD' for short) has been commissioned by the management of Hengdian Group DMEGC Magnetics Co., Ltd ('DMEGC' for short) to carry out an independent assurance of the 2022 Environment, Social and Governance ('ESG report' for short).

DMEGC is responsible for the collection, analysis, aggregation and presentation of information within the Report. TUV NORD is responsible for conducting this work (report verification) in accordance with terms of reference agreed in the scope of engagement with DMEGC. DMEGC is the intended users of this statement.

This statement is based on the 2022 ESG Report prepared by DMEGC, who is responsible for the completeness and authenticity of the information and data in the report.

Assurance Scope

- The report revealed the accuracy and reliability for key performance, information and management system which happened in 2022;
- Audit address: No. 233 Huaxia Avenue, Hengdian, Dongyang, Zhejiang, the HQ of DMEGC, we didn't visit its production base or office outside of the Zhejiang Province;
- We evaluate the collection, analysis, aggregation of the information and data;
On site audit was done from 27th Feb. 2023 to 1st Mar. 2023.

Assurance Methodology

Assurance process including following activities:

- Review the document information which provide 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;
- The report was evaluated with reference to the requirements of the Hong Kong Stock Exchange's Environmental, Social and Governance Guidelines for sustainable development reporting
- Refer to GRI Sustainability Reporting Guideline(GRI Standards) on balance, comparability, accuracy, timeliness, clarity, reliability, and give the evaluation;
- Refer to AA1000AS (V3) Assurance methodology;
- Assurance activity is based on TUV NORD CSR report assurance management procedure.

Assurance Conclusion

2022 ESG Report which prepared by Hengdian Group DMEGC Magnetics Co., Ltd, It objectively reflects the company's development and performance in the environmental, social and governance fields in 2022. After sampling verification, the data in the report are reliable and objective, and TUV NORD has not found any systematic or substantive errors.

- **Balance:** The report objectively discloses the number of major environmental violations, number of suppliers on the blacklist, etc., with a certain balance;
- **Comparability:** The report, in the form of "Key Indicators", discloses three-year performance data on total assets, environmental protection investment, energy consumption, etc, which is comparable;



- **Accuracy:** Through sampling verification, it is found that the cases and data disclosed in the report are basically objective and accurate;
- **Timeliness:** The disclosure period of this report is the sustainable development performance in 2022. The company has issued reports for 14 consecutive years in the past, timeliness is good;
- **Clarity:** Various forms such as pictures, cases are used in the report to make the information in the report easy to understand;
- **Reliability:** DMEGC board of directors is responsible for collecting, recording, arranging and analyzing the information and processes used in the preparation of the report. The data sampled during the verification process can provide traceability, which ensures the quality and substance of the information to a certain extent.

Suggestion for improvement

Through assurance and evaluation, we have the following suggestions for improving DMEGC's sustainable development practices and management:

- It is recommended that the company combine the main environmental performance indicators with the business activities of relevant departments and conduct regular assessments;
- It is recommended to increase the collection and disclosure of relevant cases or events from production base or office outside of the Zhejiang Province, so as to improve the overall balance of the report;
- In the field of social welfare, it is recommended to increase social participation to enhance the social influence of enterprises.

Special statement

This statement excluding:

- The activity outside information reveal;
- The position, idea, faith, object, future developing direction, and promise which stated by DMEGC;
- The economic data was audited by other third party, so no repeated verification.

Statement of Independence and Competence

TUV NORD Group is the world's leader certification authority in inspection, testing and verification, operating in more than 70 countries throughout the world and providing services which includes management systems and product certification; quality, environmental, social and ethical auditing and training; environmental; social responsibility and sustainability report assurance.

As one of the global branches of TUV NORD Group, TUV NORD (Hangzhou) Co., Ltd affirms its' independence from DMEGC and confirms that there are no conflicts of interest with the organization or any of its subsidiaries and stakeholders when conducting the assurance of the Report. TUV NORD was not involved in any manner with DMEGC, when the latter was preparing the Report.

TUV NORD (Hangzhou) Co., Ltd

Audit team leader: Ms. Huang Li

Date :07.03.2023

The Authorized person: Mr. Song Haining

Date: 07.03.2023

注：当声明的中文和英文版本有冲突时，请以中文为准

Feedback

Dear Sir/Madam

Thank you for reading the Environmental, Social and Governance (ESG) Report in 2022 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. You are welcome to share opinions and suggestions via mail, email or phone.

Thank you again!

Contact us

Address: 233, Hua Xia Avenue, Hengdian, Dongyang City, Zhejiang Province

Tel: 0579-86551999

Email: gfgs@dmegc.com.cn

Name: _____ Organization Name: _____

Tel: _____ Email: _____

Your opinions and suggestions on the Environmental, Social and Governance (ESG) Report in 2022 of Hengdian Group DMEGC Magnetics Co., Ltd. ("DMEGC"):

Your opinions and suggestions on DMEGC's sustainable development:

Report Evaluation Form

5

4

3

2

1

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?



Hengdian Group DMEGC Magnetics Co., Ltd

Environmental, Social and Governance (ESG) Report in 2022